

EMPLOYMENT AND TRAINING PAPERS

16

The evaluation of active labour market measures for the long-term unemployed

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Foreword

Part of the work programme of the Employment and Labour Market Policies Branch concerns the effectiveness of so-called active labour market programmes in helping the unemployed find or return to work. Many such measures are in existence, some provide training, others a place on a public works scheme or job subsidies. Some programmes are in effect intensified efforts to encourage job search by special placement efforts made by the public employment service. It is a matter of considerable concern to policy makers that all such programmes should be properly evaluated in order to assess their relative contribution to employing or reemploying the unemployed.

The present paper gives a summary overview of both the results of about one hundred evaluation studies from OECD member countries and the main evaluation methods used and their advantages and drawbacks. In particular the advantages of “target oriented” rather than “programme oriented” evaluation research for policy makers are shown. However, this stands in contrast to the scarcity of such evaluations. The paper concentrates on a particular target group, the long-term unemployed. As both youth and the long-term unemployed are increasingly the main targets of active labour market measures, the paper contributes to understanding more general problems of labour market policy.

One result of the study is that schemes which provide experience close to working life (e.g. usually schemes run by or involving enterprises) typically have the best employment effects. Contrary to a widespread belief that the least costly schemes such as special placement efforts are also the most effective. The study argues for more costly training schemes which can be still more effective. Finally, the author argues also for considering distributional and social objectives in evaluating these programmes rather than a sole focus on generating extra income and employment.

Mr. Peter Auer of this Branch is responsible for organizing this research activity.

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1. Introduction

This paper presents, through the means of an extended literature review, an overview of key aspects of current knowledge regarding the evaluation of active labour market policies targeted at the long-term unemployed. It has the objectives both of advancing awareness of what the evaluation evidence tells us about ‘what works’ and ‘what doesn’t work’ in this area, and of provoking debate and discussion about the direction that future evaluation strategies might take.

1.1 Objectives of the study

The paper draws on the ideal model of ‘target-oriented’ evaluation, put forward in the work of Schmid *et al.* (1997), in order to give a selective review of the existing evaluation research and literature to establish:

- C which different policy approaches and strategies exist in a range of countries to tackle the problem of long-term unemployment;
- C which methodologies and techniques have been used to evaluate the different policy measures;
- C what the evaluation literature tells us about the overall effects of measures of different types, and in different combinations on the labour market chances of the target group (the long-term unemployed); and
- C what conclusions can be drawn about the strengths and weaknesses of different evaluation approaches, and what proposals can be put forward for developing effective target-oriented approaches to answer the central question, ‘how does active labour market policy affect the labour market chances of the long-term unemployed?’.

1.2 Target-oriented versus programme-oriented evaluation

Schmid *et al.* (1996), in their *International Handbook of Labour Market Policy and Evaluation*, set out an ideal model for target-oriented policy evaluation, which they distinguish from ‘programme-oriented’ evaluation as follows:

‘Traditionally, labour market policy evaluation has been characterized by a strong focus on individual policy instruments and programmes. The impacts of these single purpose programmes have been assessed in a top-down approach by contrasting explicit programme goals with measurable programme outcomes. In these conventional approaches, policy formation and implementation processes have been treated largely as a black box.

... In this way programme evaluations have tended to neglect the incentives created by the interaction of different policy interventions and the cumulative impact of policy regimes on the disposition and observable behaviour of the relevant actors in the target area....

¹ The authors are grateful to participants at a workshop held at the ILO in December 1997, for comments on an earlier draft of this paper (and particularly to Bernard Gazier and Niall O’Higgins).

...To overcome the shortcomings of the programme-oriented evaluation approach, we propose a new approach: 'target-oriented policy evaluation'Instead of merely attempting to measure the impacts of a certain policy programme along the dimensions of its immediate pre-specified programme objectives, the target-oriented approach takes as its point of departure broadly defined policy goals or targets. Examples of such policy targets are increasing individual options for labour market participation, facilitating the school-to-work transition and increasing employment opportunities for the hard-to-place. With target-oriented evaluation research, then, one analyses which policies and policy combinations may be best suited for achieving these targets under different socioeconomic conditions as well as within different policy regimes.

... In contrast to conventional, programme-oriented approaches, target-oriented evaluation research adopts a bottom-up perspective, which entails viewing policy impacts from the angle of the relevant agents. These agents include the people to whom the policy is addressed and their receptiveness to or rejection of a particular policy (policy adoption); the agents involved in, and responsible for, policy implementation; and the decision-makers in the political arena, who are core actors in the process of policy formation.'

In practice, however, and despite the fact that this approach corresponds closely with the needs of policy-makers when taking strategic decisions about policy, there are few evaluation studies which embody this ideal approach of target-oriented evaluation. Some important exceptions which incorporate elements of the target-oriented model include:

- C research in Ireland on the effects of active labour market schemes (summarised in O'Connell and McGinnity, 1997);
- C a Swedish study, also focusing on the impact of labour market policies on a youth target group (Ackum Agell, 1995);
- C a recent British study (White *et al.*, 1997) which looks at the impact of a range of measures on the job-finding chances of the long-term unemployed;
- C an evaluation of a range of active measures for the unemployed in the eastern Länder of Germany (Hübler, 1997).

Given the paucity of existing work which takes this target-oriented tack, therefore, our approach in this study has been a more limited one. Starting with the notion of the long-term unemployed as the target group, we have drawn on the literature in order to identify the different policy initiatives and measures which impact on the target group, and undertaken a comparative review of existing evaluation studies in order to begin to draw conclusions about the relative effectiveness of different schemes and measures, individually and in combination.

In addition, we attempt to draw, in so far as the existing research permits, on some of the other key insights of target-oriented evaluation. In particular we adopt the principle that wherever possible, evaluation should attempt to open the 'black box', and to understand not just what impact a measure or programme has, but the *factors contributing to that impact*. In so far as a scheme has an impact, policy-makers need to understand not only how big the impact is, and how much it cost, but which elements of the programme were critical to contributing to it (e.g. where

a scheme incorporates a range of interventions, such as counselling, work experience and training elements, it is important to understand the relative contribution of each element to the scheme's overall impact). Equally it is important to understand how much of the impact can be attributed to the institutional context, and the operation of the programme delivery agents *etc.* (it is common to find, for example, when comparing ostensibly similar schemes in different national or local contexts, that the local management and institutional context are critical in determining programme effectiveness).

Thus we hope, by bringing together the findings from a range of evaluations, in different contexts and institutional environments, to extend the limited conclusions which emerge from individual programme evaluations taken in isolation. Keeping the target-oriented perspective in mind as an 'ideal' however, we also consider, towards the end of the paper, some of the practical and methodological issues which need to be tackled in developing future evaluations of measures for the long-term unemployed in the target-oriented direction.

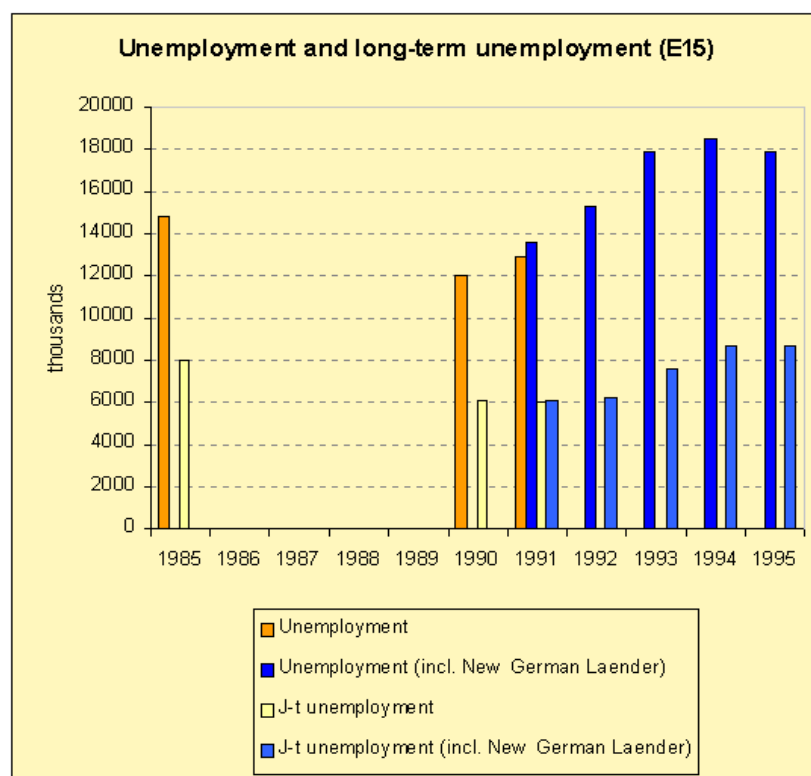
The study draws on existing comparative work, including that of the author (Meager and Morris, 1996), as well as other recent exercises conducted for the OECD (Fay, 1996), and the European Commission (European Commission, 1995).

1.3 Long-term unemployment; the nature and extent of the problem

Whilst the main focus of this paper is on policies, measures and their evaluation, rather than the nature, extent and causes of long-term unemployment itself, it is, nevertheless, appropriate to set the context for the discussion in the paper, by setting out some background information on the scale of the long-term unemployment problem.

Long-term unemployment remains one of the most persistent, and in quantitative terms, serious, social issues facing many industrialised economies. To take the Member States of the European Union as an example, the extent of the problem has been well documented.² Almost exactly half of the unemployed in the Union, some nine million people, have been unemployed for a year or more (Figure 1 shows recent trends in unemployment and long-term unemployment among the 15 EU Member States). Within this group around 60 per cent have been unemployed for at least two years.

² See for example, European Commission, 1996, pp. 95-97.

Figure 1

Whilst there has been some fluctuation in the share of unemployment which is long-term, for the Union as a whole, this share has not fallen below 41 per cent (which was achieved in 1992) for many years. Although the incidence of long-term unemployment is somewhat lower than the EU average in the new Member States (Finland, Austria and, especially Sweden), long-term unemployment has risen persistently across the Union since 1992.

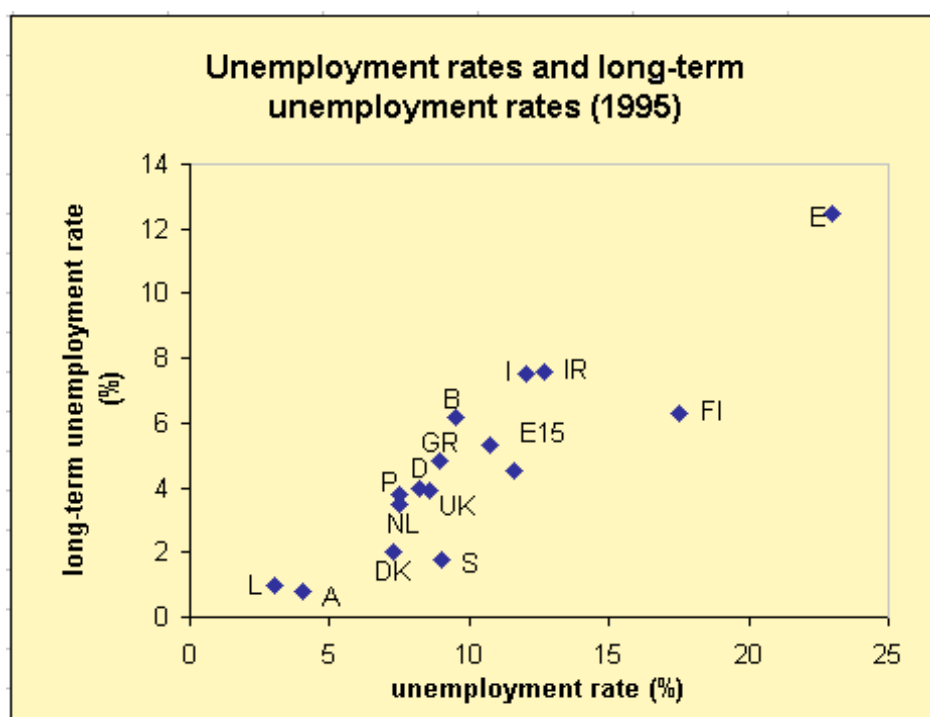
Certain groups in the workforce are disproportionately prone to long-term unemployment. Continuing with the example of the European Union, across the Union, and in most Member States, female long-term unemployment rates have been higher than male.³ Further, in most countries, there is clear evidence that older workers are over-represented in long-term unemployment compared with their share of total unemployment (this over-representation would be even greater, but for high rates of withdrawal from the labour force due to early retirement). Older workers becoming unemployed are more likely to remain unemployed than younger workers, and in many countries the data suggest that older workers losing their jobs in traditional industrial sectors are particularly at risk of long-term unemployment. In European countries at least, although youth unemployment rates are typically higher than the average, unemployed young people (under 25) are generally less likely than those in other age groups to become long-term unemployed (although there are exceptions, especially in southern Europe).

In most countries, long-term unemployment has fluctuated over the economic cycle, and tends to move with overall unemployment levels. The rate of long-term unemployment varies considerably between countries, however, (as the data for EU Member States in Figure 2 illustrate), and although there is a positive relationship between unemployment and long-term

³ Note, that in some countries, notably Denmark and the Netherlands, the share of unemployment which is long-term is *lower* for women than for men, but because the overall rate of female unemployment is considerably higher than the male, the female long-term unemployment rate is also higher than the male.

unemployment rates, this relationship is by no means a perfect one; as Figure 2 shows, countries with similar rates of overall unemployment may have very different rates of long-term unemployment and *vice versa*.

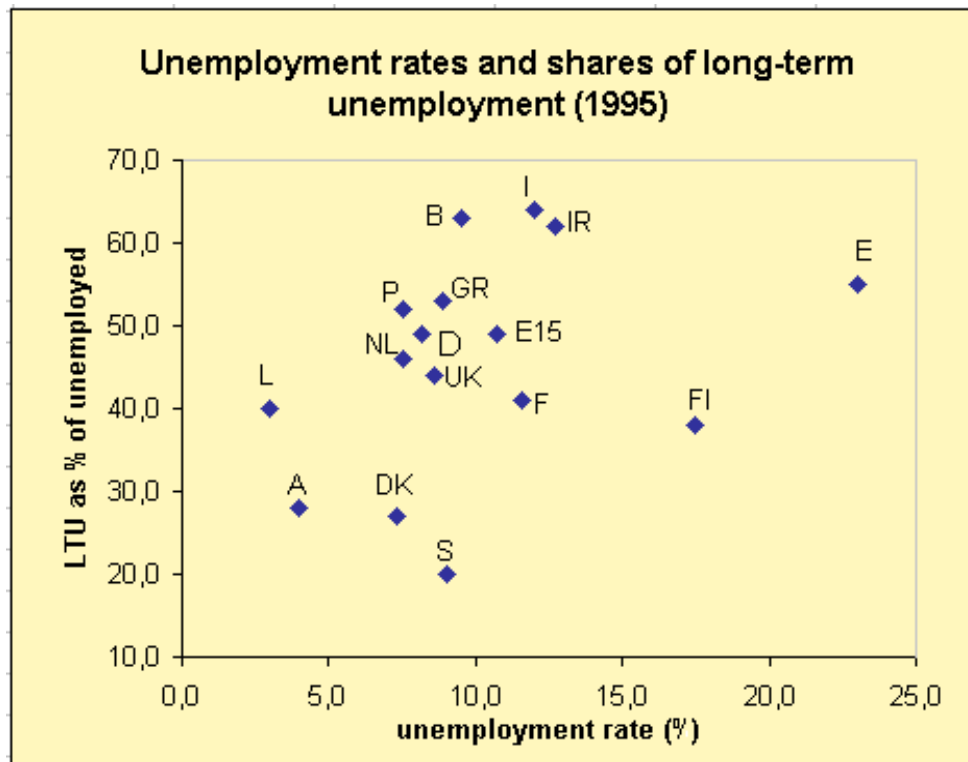
Figure 2



Or, to express the issue slightly differently, countries vary considerably in terms of the *share* of unemployment which is long-term unemployment. Figure 3 shows, for example, that in 1995, four EU Member States (Sweden, the UK, Greece and Belgium), with similar rates of overall unemployment, slightly below the EU average, had vastly different shares of long-term unemployment (varying from Sweden with 20 per cent to Belgium with 62 per cent).⁴

⁴ It is worth noting that inter-country variations in the share of long-term unemployment may also reflect differences in the stage of the economic cycle which countries have reached. There is a lag in the relationship between overall unemployment and long-term unemployment. When unemployment is increasing, the numbers of short-term unemployed increase rapidly, and this takes time to feed through into the numbers of long-term unemployed. Conversely, when the economy is recovering, overall unemployment may fall faster than long-term unemployment, because fewer new people are entering short-term unemployment; at this point the share of long-term unemployment may rise, even though the numbers of long-term unemployed are falling.

Figure 3



This suggests that even where prevailing macro-economic circumstances constrain national governments from achieving full employment goals, some countries may have much to learn from others about active labour market policies to minimise long-term unemployment and the associated social exclusion.⁵ Caution needs to be exercised, however, in concluding that Member States with high levels of active labour market expenditure (e.g. Sweden and Denmark) have thereby ‘solved’ the problem of long-term unemployment.⁶ Whilst large scale active measures are likely, by definition, to reduce recorded long-term unemployment, the level of ‘hidden’ long-term unemployment may remain high, due to the ‘carousel’ effect of individuals moving repeatedly between unemployment and active measures. Participants in measures are often not counted as long-term unemployed during their participation, and if they return to unemployment after participation, they are reclassified as short-term unemployed.

It is, however, clear that national performances with regard to long-term unemployment vary considerably. Recent research for the European Commission (DGV),⁷ using Labour Force Survey and administrative data to estimate the likelihood of a ‘representative’ individual leaving unemployment, after given durations of unemployment, suggests that the main source of variations

⁵ This variation in performance has increasingly been recognised at European level, and the recent emphasis on ‘benchmarking’ has been reflected in an analysis of which Member States have achieved best performance in preventing long-term unemployment: (European Commission, 1997a).

⁶ There is, nevertheless, some evidence from cross-country macro-economic studies that the existence and scale of active labour market policies make a difference to the extent of long-term unemployment, although as discussed in section 3.4.1 below, these findings are not uncontroversial.

⁷ Reported in *Long-Term Unemployment*, an internal paper of the Commission, produced in July 1997.

in rates of long-term unemployment between Member States is variations in *outflow* rates rather than inflow rates; it is the speed with which people leave unemployment, rather than the rate of entry to unemployment which is important. The key question, therefore, is not which policies are most effective in stopping people becoming unemployed, but rather which are most effective in maintaining the ‘employability’ of the unemployed so that they are less likely to flow into long-term unemployment. The same study also shows a considerable decline, in most Member States, with increasing duration of unemployment, of an individual’s probability of leaving unemployment. In designing appropriate policy interventions, and deciding on the timing of measures (i.e. at what point in an unemployment spell should measures be applied), and the relative importance of preventative measures and re-integrative measures, we need to understand *the process by which people become long-term unemployed*, i.e. what explains the declining probability of leaving unemployment observable in aggregate data? We discuss, in section 2.3 below, the alternative explanations for this process, the evidence which exists for them, and some of the policy implications.

2. Policy approaches

When discussing the approach of policy-makers in advanced industrialised economies towards the problem of long-term unemployment, it is important to make a distinction between the overall **policy** framework on the one hand, and specific **measures** and interventions on the other. The policy framework can be seen as the strategic context, which determines both the broad range of macro-economic policies and the package of individual measures and initiatives put in place at the micro-level in support of that policy framework.

2.1 The policy framework

In identifying the overall strategies which nations, regions or localities adopt towards long-term unemployment, and how these strategies vary between countries and develop over time, it is useful to attempt a simple categorization of the various policy measures and combinations of measures which have been adopted as part of the overall package. At a macro level, and when looking at the orientation of the overall policy regime, a distinction can typically be made between the following:⁸

- C demand-side-oriented approaches, which attempt to increase the volume of labour demand or to bias that demand towards the recruitment of the long-term unemployed. This category includes measures which do this *directly* (e.g. through the creation of jobs for the long-term unemployed), as well as those which do it *indirectly* (e.g. through offering subsidies or incentives to employers to recruit the long-term unemployed;
- C supply-side-oriented approaches, which attempt to improve the chances of the long-term unemployed on the labour market, by increasing their skills and human capital (e.g. through training), their ability to access available jobs, or their motivation for job-search (through advice, counselling and assistance with job search), or indeed their willingness to take up certain job opportunities (through benefit conditionality, reduction in the ‘benefit trap’ etc.)

⁸ See the discussion of these issues in Meager and Morris, 1996. Similar distinctions are also made in Gaß *et al.* 1995, pp. 792-800. See also Werner, 1996.

2.2 A categorization of measures against long-term unemployment

To understand the diversity of approaches adopted in practice, however, and the ways in which individual measures have been combined into packages, it is helpful to go beyond this simple demand-side/supply-side dichotomy and to break down the range of measures further into more detailed categories.

In developing an appropriate categorization, there is a considerable previous literature on which to draw.⁹ The categories often overlap to some extent and many measures incorporate elements from several of the categories. In addition, they are often part of an overall strategy for tackling *unemployment in general*, rather than having a specific focus on the long-term unemployed. Nevertheless, they provide a framework for interpreting the strategic policy approaches developed to tackle long-term unemployment in advanced economies over the last few decades.¹⁰

2.2.1 Incentives or subsidies for employers

This category includes demand-side measures, which tackle job creation indirectly, through subsidies or other incentives to employers to encourage them to recruit the long-term unemployed.

2.2.2 Direct employment/job-creation schemes

This category includes initiatives which create employment directly for the long-term unemployed, as a bridge between unemployment and the regular labour market. Such measures offer work experience, with participants normally undertaking socially-useful activities, which do not displace market activities (although the extent to which non-displacement is actually achieved is a key evaluation issue).

The wide spectrum of measures under this heading includes:

- C traditional job-creation schemes, which create (usually short-term) jobs in the public or quasi-public sectors for the unemployed, in non-market activities;
- C small scale, often local or community-based programmes aimed at generating employment in the 'intermediate labour market', often via special 're-integration enterprises', or 'community businesses' set up for this purpose.

The distinction between the two types is not clear cut, and in practice the difference is largely one of scale, and of the agencies involved in policy design and delivery. Generally, intermediate labour market schemes are typically smaller in scale than the traditional job-creation schemes, and although they frequently involve some form of state or municipal subsidy, they are often characterised, in addition, by partnership involvement and support from a variety of non-governmental bodies, in the voluntary, charitable or co-operative

⁹ The typology presented in this paper draws on similar classifications found in the literature. See, for example, Gregg 1990; Disney *et al.* 1992; and Erhel *et al.* 1996.

¹⁰ Our review does not consider in detail evidence from the 'transition economies' of Eastern Europe and the former Soviet Union, partly because of the paucity of existing literature on this region, but also because as recent research has shown, active labour market policies remain, relatively under-developed in these countries (where passive expenditure predominates) — OECD, 1996. Where relevant evaluation studies have been uncovered during the course of the research, however, we include them in our summaries below.

sector, and in some cases, the private sector as well. Also, a key element of such initiatives is that they are embedded in their local communities, with the aim (in addition to that of employing disadvantaged people from those communities), of providing socially and economically beneficial goods and services for those communities. Such initiatives often involve the creation of a distinct trading enterprise, run as a community business or co-operative and selling its goods and services on the open market. As with traditional job-creation schemes, the usual intention is that such initiatives do not displace existing private sector activities — as with the traditional schemes, however, this can be hard to ensure, particularly as it is often the case that the initiatives are set up with a subsidy which declines over time, the intention being that the enterprises should become economically viable and ultimately self-financing. A further distinct feature of some such initiatives is that they form part of wider strategies for local and regional adjustment to structural change, and have, in this sense, a preventative as well as a re-integrative function in the fight against long-term unemployment — perhaps the clearest example of this has been the role of ‘employment companies’ in the transition process in East Germany, a model subsequently transferred, with some modifications, to the West.

2.2.3 Work-sharing/reducing labour supply

These measures tackle unemployment from the supply-side, and tend to be focused on unemployment in general, rather than long-term unemployment in particular. At least two variants can be identified:

- C Subsidies to those in employment to reduce their labour supply, to share work with the (long-term) unemployed; and
- C subsidies to the (long-term) unemployed themselves to reduce their labour supply, and in the extreme case, to become economically inactive (e.g. by early retirement).

2.2.4 Vocational training-based schemes

These measures account for an extremely high proportion of active labour market policy expenditure for the long-term unemployed. Such measures are clearly supply-side in orientation, and may be off-the-job and classroom-based, and/or may involve on-the-job training in some kind of work placement. Training schemes of the latter type overlap with demand-side job-creation measures in the sense that taking unemployed people off the unemployment register for a period of training, may also involve their being on employers’ premises and producing marketable goods or services. The key principle underlying such training schemes, however, has been the notion that training the long-term unemployed will increase their subsequent employability.

2.2.5 Job-search training, counselling etc.

Many countries have in recent years introduced counselling, advice and similar support measures focused on areas other than vocational skills, which may improve participants’ employability. They may, for example, include training in techniques of effective job-search, or in how to present oneself to an employer. They may also incorporate elements aiming to improve the ‘motivation’ and ‘work attitudes’ of the long-term unemployed.

2.2.6 Tackling information deficits and labour market “friction”

These measures, typically delivered through the public employment services (PES), aim to address market failure and information deficits in the job-hiring process. These may occur through lack of information on the part of employers or job-seekers, or the use of inappropriate or inefficient methods of vacancy notification or job-search. Alternatively they may arise because of inaccurate information, e.g. because job-seekers have incomplete understanding about employers' requirements, or because employers have inaccurate or prejudiced perceptions of the abilities, attitudes and likely productivity of long-term unemployed job applicants. Examples of measures in this category include:

- C targeted job-matching or broking services, whereby the PES attempt, through information provision and other broking activities, to effect a better or faster match between employer requirements and job-seeker characteristics, in order to reduce the frictional element of (long-term) unemployment;
- C subsidised short-term placements with employers. These measures bring the unemployed and the employer together for a short period, at little cost or commitment, so that the unemployed can obtain a better understanding of employer requirements and acquire or refresh their experience of working life, whilst the employer has an opportunity to try out an unemployed applicant. The intention in such schemes, which are often linked to training schemes, is that employers who might otherwise discriminate against the long-term unemployed may be influenced to change their negative perceptions.

2.2.7 Incentives or subsidies to individuals

These include supply-side measures to reduce the costs to the job-seeker in finding, accepting or keeping a job. They are not usually targeted purely at the long-term unemployed. Important categories include:

- C provision of 'in work benefits' (or other forms of payment), either to all low paid workers, or to newly employed entrants from unemployment. The object here is mitigate the 'unemployment trap', whereby the unemployed face a disincentive to enter low paid employment, because their loss of benefit on taking work is not sufficiently compensated by the extra income received from employment;¹¹
- C subsidies to the individual unemployed person to support the costs of job-related training/re-training/education.
- C subsidies to offset the individual's costs of finding and entering a job (e.g. expenses incurred in job search, such as travel-to-interview expenses; or costs associated with relocation to take up new employment);
- C subsidies to support unemployed people becoming self-employed or starting their own

¹¹ This disincentive is equivalent to a high effective rate of marginal taxation. Whilst in-work benefits may tackle this, there is, however, a risk that they will replace the 'unemployment trap' with a 'poverty trap', i.e. the disincentive now applies to those in low-paid employment, who face high effective marginal taxation rates, if they increase their hours of work, or move to better-paid employment (due to loss of, or reduction in the in-work benefit).

enterprises.¹²

2.2.8 Measures aiming to ‘activate’ the unemployed

Elements of this approach may be associated with many of the other measures identified above, but there is a clear trend in many countries’ towards a greater emphasis on ‘activation’ of the (long-term) unemployed. Measures which reflect this trend often contain an element of pressure or sanctions on the job-seeker. Important examples in this category¹³ are:

- C supply side approaches aiming to reduce the ‘reservation wage’ of the unemployed, by providing a disincentive for them to refuse low-paying jobs. Such approaches often operate by making unemployment benefit conditional on strict job-search and acceptance criteria, or by time-limiting the receipt of unemployment benefit. This can be seen as an alternative or complementary approach to tackling the ‘unemployment trap’ problem discussed above, i.e. it functions by reducing the attractiveness of remaining on benefit, rather than by increasing the attractiveness of low-paid jobs *per se*.
- C ‘workfare’ approaches (rare outside the USA and Australasia),¹⁴ in which the unemployed are required to work as a condition for the receipt of unemployment or social security benefits. A concomitant is often that the state also acts on the demand-side, acting as ‘employer of last resort’ to guarantee public sector employment to the unemployed who fail to find regular jobs after a certain period.

2.3 Preventative strategies: early identification and action

Most active labour market measures in place in industrialised economies focus on the reintegration into the mainstream labour market of people who have already become long-term unemployed. The policy literature suggests, however, a growing interest in, and experimentation with approaches focusing on preventing people becoming long-term unemployed, by identifying and taking early action for ‘at-risk’ groups.

The main distinction between ‘preventative’ and ‘re-integrative’ approaches may often, in practice, lie in the timing of intervention. Thus, for example, counselling and advice offered by the PES in the early weeks of unemployment may be seen as a preventative strategy, whilst similar measures offered to the long-term unemployed, are likely to be seen as part of a reintegration strategy.

To pursue the analysis further, we can distinguish between two types of so-called preventative strategies:

¹² Such measures are also partly demand-side in orientation, with individuals being subsidised to create their own jobs (and ideally, jobs for others in due course).

¹³ For further discussion of the notion of ‘activation’ and the balance between sanctions and incentives, see European Commission, 1997.

¹⁴ Some commentators have described traditional active labour market policies implemented in some Scandinavian countries (notably Sweden) in terms of a ‘workfare’ model, although as Robinson, 1995 (p. 12) notes, this interpretation is debatable.

- C those based on ‘early identification’ of those ‘at risk’ of long-term unemployment, which is essentially an issue of targeting; and
- C ‘early action’ for the unemployed, with across-the-board interventions at an early stage of unemployment spell. This is primarily a question of the optimal timing of policy intervention.

The usual justification of both approaches follows from the observation that it would be desirable not to wait until individuals enter long-term unemployment, before intervening to improve their labour market position. After a period of unemployment they may already have begun to lose their attachment to the world of work, their skills may have begun to deteriorate and lose their relevance to changing employer requirements, their motivation and self-confidence may have diminished, and they may be at or below the poverty line and subject to a range of physical, emotional and health problems, with associated costs to themselves and society.

Why not, therefore, target unemployed people early in their unemployment spell, and address them with the kinds of measures discussed above? A negative answer to this question is typically related to deadweight and the costs of intervention. Flows data in many countries show that most people becoming unemployed leave the register again within a fairly short period. Any approach, therefore, which offers the various job-creation, training and other measures described above, to people as, or shortly after they enter unemployment, would risk a high deadweight cost. It is even possible that such early interventions could have negative effects, if they resulted in people who would have found a job quickly being held out of the labour market *longer* than would otherwise have been the case.

An important evaluation question, therefore, relates to the optimal timing of policy intervention: at what point in an unemployment spell do the benefits of intervening outweigh the deadweight costs? As noted in the OECD Jobs Study (OECD 1994, p.103), there is a surprising lack of empirical evaluation evidence on the question of optimal timing, although in practice many countries operate a policy regime which makes implicit assumptions about the relevant trade-offs, with low-cost counselling and job-search information offered to the short-term unemployed, and with the intensity and cost of the measures adopted increasing with duration of unemployment (once the ‘easy to place’ have been filtered out of the system).

All such approaches, however, assume that there is no reliable method of identifying at an early stage of their unemployment spell (or earlier) individuals with a high risk of becoming long-term unemployed. An alternative view stresses the heterogeneity of the unemployed, and their different and individual characteristics which influence their chances of remaining unemployed; this may be due, for example to discrimination (e.g. among ethnic minorities), or because of objective disadvantage (e.g. people with physical or mental disabilities), or because of institutional constraints (e.g. single parents unable to find suitable work because available wages would not offset their loss of benefits and the additional costs of childcare). On this latter view, policies would do better to focus on the *sources of the disadvantage*, and use these to trigger appropriate ‘tailor-made’ interventions, rather than relying on the duration of unemployment itself to generate a standardised intervention, at different points in a person’s ‘unemployment career’.

In practice, although it is possible readily to identify groups with characteristics over-represented among the long-term unemployed (certain age groups, ethnic minorities, disabled

people, people with few work-related skills *etc.*) the relationship is not perfect, and it is also the case that many unemployed with these characteristics re-enter employment quickly. Early identification and targeting therefore requires a more effective mechanism to identify ‘at risk groups’ than is offered by simple indicators based on easily observed personal characteristics. As de Koning (1995) points out, describing the experience of Dutch wage-subsidy and job-creation schemes, a policy drift towards ‘early action’ *in the absence* of an effective method of early identification carries considerable cost and risks rendering existing measures for the long-term unemployed even less effective than they currently are.

Our review of the literature suggests considerable scepticism, on the basis of experience and evidence to date, that an effective early identification process can be found. The discussion in OECD (1992) embodies this scepticism, but also makes a plea for further refinement of existing processes in this direction. Fay (1996) reports some progress in this area, with ‘profiling’ initiatives in Australia, Canada and the United States.¹⁵ As Fay points out, however, even where profiling models have significant predictive power in identifying individuals ‘at risk’ of long-term unemployment, they do not in themselves help to identify what kinds of services are required for such people. There are, moreover, significant potential ethical and legal issues associated with the use of personal characteristics such as age, sex or ethnic origin, to determine the allocation of resources to unemployed clients of the PES (such variables were, for legal reasons, excluded from the US experiments reported in Department of Labor, 1994).

An important policy question, therefore, is how much effort should be invested in developing improved techniques for early identification of individuals and groups with a high risk of becoming long-term unemployed. The answer depends, at least in part, on our understanding of *the process by which people become long-term unemployed*. There is, in the academic literature, an unresolved debate regarding the relative importance of ‘heterogeneity’ and ‘state-dependence’ in generating long-term unemployment.¹⁶ In a model based on heterogeneity, becoming (long-term) unemployed is a filtering process, whereby an individual’s characteristics, such as skill and education levels and other personal attributes are seen by employers as ‘favourable’ attributes. As a result, people lacking such attributes (at any duration of unemployment) are less likely to be hired than those possessing them. On this model we would observe, as duration increases, an increasing concentration among the unemployed, of people lacking the ‘favourable’ characteristics.

In a model based on state-dependence, unemployment *itself* causes further unemployment. That is, unemployment duration becomes a ‘characteristic’ reducing an individual’s chances of leaving unemployment, or avoiding future unemployment spells. There are a several reasons why this might occur, the most obvious being statistical discrimination, with employers using a job applicant’s previous unemployment record as a ‘screen’, on the assumption that it is likely to be an indicator of the applicant’s skills, productivity, motivation *etc.* An alternative explanation would be that the experience of unemployment itself causes deterioration in skills, motivation and productivity among the unemployed, as their attachment to the world of work progressively diminishes.

Despite more than a decade’s research on the question, economists have been unable to show convincingly that either of these two effects dominates in generating long-term

¹⁵ The US work is reported in Department of Labor (1994).

¹⁶ The debate and recent evidence, are well-summarised in Hasluck *et al.* (1996).

unemployment. Early US research with panel data, particularly on young people, suggested that an explanation rooted in heterogeneity had more explanatory power.¹⁷ European research yielded somewhat different results initially, however. Thus youth unemployment studies in the UK¹⁸ indicated a role for *both* factors, i.e. heterogeneity was important, but so was state-dependence (at least in the short-term). Further UK studies,¹⁹ however, indicated evidence of state dependence, with the probability of a spell of unemployment ending being negatively related to the duration of that spell (after allowing for heterogeneity, both observed and unobserved). Recently, however, the balance of evidence has shifted again. Research in the UK quoted in Elias (1996), as well as that of Portugal and Addison (1995) and van den Berg and van Ours (1996) for the US, and van den Berg and van Ours (1993) for France, the Netherlands and the UK, suggest a *limited* role for state-dependence, and that most variation in observed durations of unemployment can be explained by heterogeneity (i.e. individual characteristics).

The findings on this issue are, therefore, somewhat mixed. Elias (1996), argues that the evidence increasingly points towards heterogeneity as the key influence. Hasluck *et al.* (1996) come to similar conclusions, arguing against any significant role for state-dependence. We would argue, however, that this conclusion may be over-stated, and is difficult to square with evidence from employer surveys indicating that a significant proportion of employers *do* take account, when recruiting, of previous unemployment and its duration, even when this is not the only, or the most important factor in the decision. For discussion of the evidence from employers on this question, see in particular, Atkinson *et al.* 1996, Colbjørnsen *et al.* (1992), ESRI (1991), Gazier and Silvera (1993), Meager and Metcalf (1987), Ronayne and Creedon (1993).

2.3.1 The role of employers in policy design and evaluation

This raises a further issue, regarding the role of employers in the whole process. A key factor, influencing the appropriate choice of policy is the decision-making processes of enterprises in recruiting and selecting new employees. It is notable from our review of the literature, how rarely these processes are taken into account in policy design, and how rarely evidence from employers is incorporated into policy evaluations. As noted above, however, from the employer-based research which does exist, there is persuasive evidence that employers discriminate against the long-term unemployed in the recruitment process; and that they often regard them as having less ‘favourable’ characteristics than otherwise similar job applicants.

In their discussion of an apparently successful Dutch approach to ‘tailor-made’ placement services, which tackles both the demand-side (employers’ attitudes and practices) as well as the usual supply-side (job-seekers’ skills, attitudes and behaviour), van den Berg and van der Veer (1991) argue as follows regarding so-called ‘unemployable’ groups:

¹⁷ The relevant literature includes Heckman (1978), Heckman and Borjas (1980) who set out the statistical theory underlying notions of heterogeneity, and the early US empirical work includes Ellwood (1982), Chamberlain (1985), and Lynch (1985)

¹⁸ Lynch (1989), Narendranathan and Elias (1993).

¹⁹ See, in particular, Jackman and Layard (1991), but also Narendranathan and Stewart (1989); Layard *et al.* (1991) also argue strongly that there is significant evidence of state dependence.

‘Policy-makers are often inclined to regard the qualifications of the people concerned — the nature and level of their education and work experience — as the most important factor influencing their chances on the labour market. However obvious this conclusion may seem, it has nonetheless been demonstrated by various surveys that the relatively high levels of unemployment among certain groups (such as immigrants and refugees) can only partly be explained by their educational qualifications.

For this reason any policy aimed at the effective integration of ‘unemployable’ people into the labour market must take other factors into account. In our view those other factors are to be sought not so much on the supply-side as on the demand-side of the labour market. Employers try to minimise their risks in the recruitment and selection of new staff..... Since it is often difficult to obtain reliable information on these matters, employers rely upon general impressions of the people concerned and upon general images and stereotypes of the groups to which they belong.....

Long-term unemployment is thus not synonymous with the characteristics that a person is ‘difficult-to-place’ but is one of the consequences of it and plays an important role in establishing the vicious circle. The process described above explains why any efforts aimed exclusively at increasing the educational qualifications of the people concerned usually do little more than produce a better educated class of unemployed people with little more prospect of paid employment. Employment services should be aimed not only at the supply-side but also at the processes of recruitment and selection on the demand-side of the labour market. Only when the relationship between supply and demand becomes the object of a systematic policy can the vicious circle be broken.’ van den Berg and van der Veer (1991) pp 178-179.

Of critical importance here is an understanding of why employers believe that the long-term unemployed and other disadvantaged groups are ‘less desirable’, and how such opinions might be influenced. Looking first at the nature of employers’ beliefs and attitudes, building on the discussion of state dependence and heterogeneity,²⁰ we may ask whether employers’ perceptions of the long-term unemployed as less desirable than other applicants arise:

- C because they believe that being long-term unemployed itself detrimentally affects the job applicants’ possession of certain desired attributes (e.g. through deterioration of skills, motivation and work disciplines); i.e. do employers implicitly believe in a state-dependence model; or, alternatively
- C because they believe that the long-term unemployed are drawn from a group in the workforce lacking the desired attributes, and who have been successively rejected by other employers as a result; i.e. do they implicitly believe in a ‘filtering’ type model (heterogeneity).

In either case, we observe the same outcome: employers disproportionately rejecting

²⁰ We draw here on Meager and Metcalf (1988).

the long-term unemployed, but depending on the perceptions underlying this behaviour, the policy implications are rather different. Also important are the ways in which employers form such beliefs. Again we can posit two hypotheses:

- C the first is where the belief is in some sense ‘well-founded’ e.g. because the employer has previous direct experience of having recruited from the long-term unemployed, and has found them less satisfactory than other recruits;
- C the second is where the belief is based largely on a priori prejudices about the long-term unemployed, which have not been tested against the evidence.

These distinctions are important for at least two reasons. First, as we have seen, there is a growing trend for policy measures to focus on ‘educating’ the long-term unemployed themselves about job-search techniques, and how best to present themselves to potential employers. Clearly, a better understanding of employers’ perceptions of the unemployed can be important in the design of such initiatives. Second, the above hypotheses have very different implications for the type of policy measure which is most appropriate to get the long-term unemployed into jobs.

Thus, for example, a policy of training or providing work experience is more likely to influence employers’ attitudes, if the latter are ‘well-founded’ and assume ‘state-dependence’, than if they are based on prejudice and assume ‘heterogeneity’. Unfortunately, there is little research or empirical evidence on employers’ beliefs, practices and behaviour in this area, how they are formed, and how they are influenced (or not) by policy measures. This is a significant lack, given the role played by employers, and their critical influence on whether or not policy measures will be successful. It is also in notable contrast to the sustained effort in many countries in research on the unemployed themselves; their characteristics, behaviour, response to incentives and experience in policy measures. There is, in our view, a strong case for further examination of employer behaviour in this area, as part of a wider strategy of evaluation and design of active measures for the long-term unemployed.

Turning to some of the evidence on employer practice and attitudes which does exist, however, Meager and Metcalf (1987 and 1988), found from employer survey evidence in the UK: first that long-term unemployed job applicants risked rejection simply on the grounds of their previous unemployment duration in at least half of the job vacancies covered by the survey; and second that they suffered, in addition, a disproportionate risk of rejection on other grounds, in so far as they had a higher than average probability of lacking some of the other attributes seen as desirable by employers (health/fitness, stable employment record, qualifications, the ‘right attitude’). Thus, the survey confirmed that the long-term unemployed were doubly at risk of rejection in the recruitment process; both in so far as they objectively lacked some desirable job-relevant characteristics; but also simply because many employers used unemployment duration as a selection criterion. Further investigation with employers suggested that employers’ views on the attributes lacking in the long-term unemployed were dominated by factors such as the presumed lack (or loss) of work habits and disciplines, deterioration of skills, or inadequate initial basic education; issues such as whether their attitudes to work were ‘flexible’ or ‘suitable’ were also often raised. Particularly noteworthy was the fact that few of the ‘deficiencies’ identified by employers in this research were of a kind suggesting a need for extensive labour market training in vocational skills. When it

came to the nature of the underlying beliefs, employers more commonly argued that the deficiencies of the long-term unemployed were because their motivation, skills etc. had deteriorated whilst unemployed (i.e. a state-dependence type view), than they did that the ‘undesirable’ attributes had been present in the long-term unemployed before they became unemployed. Unsurprisingly, employers in the former group were more likely to believe that with appropriate support and assistance the long-term unemployed could be re-integrated into work. A key finding was that managers’ personal contact with the long-term unemployed, through social networks, or through having recruited a long-term unemployed person, was strongly associated with positive attitudes towards the long-term unemployed, and a willingness to consider them as recruits.

These results suggest both that employers’ attitudes and practices can make an important difference to policy effectiveness, and that they may be susceptible to influence by policy measures. Thus if experience of, and contact with the long-term unemployed is a positive influence on employer attitudes, this favours measures which provide short-term work experience for the long-term unemployed in ‘real’ work environments, i.e. such measures may influence not only the long-term unemployed participant, but also the enterprise itself.

More recent survey evidence in the UK (Atkinson et al. 1996) reinforces these findings. In particular it suggests that employers demonstrate relatively little evidence of heterogeneity-based beliefs (i.e. a belief that unemployment reflects inherently less ‘attractive’ characteristics), and a more widespread attachment to state-dependent type beliefs (i.e. beliefs that experience of unemployment itself renders individuals less attractive through demoralization and deterioration). The research also confirmed earlier findings that being long-term unemployed was a particularly negative signal to employers in tighter labour markets; and showed that participation in government schemes (e.g. through taking an unemployed participant on a work-placement etc.) increased a firm’s likelihood of subsequently recruiting from the unemployed, although care must be taken in attributing causality here.²¹

2.3.2 Implications for policy

What conclusions can we draw for policy development from the discussion of heterogeneity, state-dependence and the role of employers?

First, the question of the relative importance of heterogeneity and state-dependence in generating long-term unemployment has yet to be resolved. It is increasingly clear from studies of individuals, however, that heterogeneity may be more important than previously believed, which provides a case for investigating the feasibility of early identification. Unfortunately, initial research on this is not promising; although models have been developed (in the UK, for example — Payne et al., 1994) which identify measurable characteristics associated with an increased likelihood of becoming long-term unemployed, the overall predictive power of such models is poor, and our conclusion from the UK development work (see, in particular, Gibbons 1996, Hasluck et al. 1996) is that such models do not, so far, provide a robust early identification tool. Further research has been undertaken in

²¹ The finding may partly reflect the likelihood that employers with ‘positive’ attitudes to the unemployed were more likely to participate in government schemes.

Australia, however,²² and a practical pilot of an early identification instrument is taking place within the Australian PES, the longer-term results from which will clearly be of wider relevance to policy development elsewhere.

Second, if practical models for early identification do not yet exist (although there may be less ambitious ways in which to build on good practice within the PES in targeting different resources to different types of client), we are brought back naturally to the question of early action, and the optimal timing of intervention. There is a clear need for more research on this question; what is the cost-effectiveness of trying to bring forward in time some of the more costly measures (training, subsidised work placements etc.), so that more people benefit from them, at an earlier stage in their unemployment ‘careers’?

Third, and perhaps most importantly, in our view, the discussion above suggests a need for a better understanding of the role of employers. We have seen that there exists evidence from some countries that many employers see unemployment duration as an important negative signal in recruitment. This is clearly relevant to the question of the optimal timing of policy measures: how ‘long’ does someone have to be unemployed before it makes a difference to a potential recruiter? If such cut-off points exist, do they vary by sector, occupation, locality or other structural variables, and how are they susceptible to influence by active measures? These are crucial questions.

More generally, we have seen that the evidence from UK employer surveys carries important messages for the development of policy measures, and there is a clear case for extending this kind of investigation elsewhere. So far, for example, the UK evidence suggests that training the (long-term) unemployed in vocational skills may have relatively little impact on employers’ likelihood of recruiting them, compared with measures which bring them into contact with employers, and give them what can be demonstrated as recent, ‘real’ work experience. We consider below how far such evidence from employers is consistent with the evidence on scheme impact on placement rates.

2.4 Trends in policy development for long-term unemployment

It is possible to observe, using the classification of policy measures set out above, a number of important recent trends in the overall strategies against long-term unemployment in industrialised countries. Building on the evidence presented in the various comparative reviews referred to in previous sections of the paper of developments in active measures, prepared for example by OECD and the European Commission,²³ and at the risk of some over-simplification (none of the trends are universal, and countries differ considerably in the emphasis adopted), the following trends can be observed in many countries:

- C **a growing importance of supply-side measures:** there has been a marked shift in the balance between demand-side and supply-side measures over time (and particularly since the early- to mid-1980s), with a growing disillusionment with traditional job-creation and subsidy schemes, and an increasing emphasis on supply side measures. Even in countries where the demand-side emphasis remains important, it is possible to observe a parallel proliferation of supply-side measures (although in some countries where the supply-side emphasis went the furthest, such as the UK, there has also

²² As reported in Elias (1996).

²³ This section draws, in particular, on Meager and Morris, 1996.

been a reversal of the trend in the most recent period, and growing experimentation with some of the traditional demand-side measures, albeit on a smaller scale and in a more targeted fashion);

- C **within the demand-side approach, a shift towards targeted and indirect job-creation measures:** in so far as the demand side approach has remained important in some countries, there has, nevertheless been some evolution within the overall portfolio. In particular, several countries have moved away from mass direct job-creation schemes, by adopting a greater element of targeting (on particular client groups), and have also returned to more indirect approaches of job-creation (through incentive- and subsidy-based schemes);
- C **within the supply-side approach, a changing balance of measures:** at the same time, within the overall range of supply-side measures typically found in the labour market strategies of advanced industrialised countries, we can also detect some important shifts. During the 1970s, and particularly during the 1980s, there was a significant growth in measures for the (long-term) unemployed based on training in vocational skills, and this remains the predominant element in many countries' approaches. There has, nevertheless, in recent years been a growing scepticism about the effectiveness of an approach based on training measures. In part this reflects budgetary concerns (such measures are often high cost), and in part it reflects also evaluation results (which we discuss further below) showing poor performance of training measures on the re-integration chances of the long-term unemployed. The balance has, therefore, begun to shift in many countries towards a greater emphasis on initiatives (which are often much lower in per capita cost terms than training measures) delivered through the PES and focusing on advice, counselling, job-search support and the like;
- C associated with the previous two developments, there has been a move towards an **'individualization' of measures**, i.e. a trend away from standardised, 'one-size-fits all' schemes, and an development of tailor-made approaches which aim to address the specific needs and characteristics of individual job-seekers. These latter initiatives may be delivered through the PES or other intermediaries, but a common feature is the growing role being played by individual case-workers devising 'individual action plans', and which may involve a mix of specific interventions (job-search support, vocational training, work-experience, help with social problems etc.) at different times and in different combinations, according to the needs and circumstances of the job-seeker in question;
- C in recent years (often with the support of international initiatives such as the EU's ERGO programme, and the European Social Fund, for example) there has also been a proliferation of local, community-based, and **'intermediate labour market'** initiatives, again seen as alternatives to the traditional centralised mass approaches found in national schemes for the long-term unemployed;
- C in some countries, particularly but not solely in the Anglo-Saxon world, there has been a trend towards what is sometimes called **'activation'** of the (long-term)

unemployed. This can be seen in two broad forms (sometimes they are combined in a single approach): the first is incentive-based (i.e. approaches, based on in-work benefits and the like, aiming to reduce the disincentives faced by many unemployed as a result of the interaction between benefit levels and low paid jobs); the second is based more heavily on sanctions or compulsion, and may involve stricter benefit eligibility criteria, based on job search activity, and availability for work; or it may involve a ‘workfare’ type approach with compulsory participation in work-experience or training schemes becoming a requirement of benefit receipt;

- C Finally it is worth noting, in many countries, the growing interest in initiatives based **on early action for and early identification** of the (potential) long-term unemployed. This is also in line with the greater emphasis on targeting, counselling and individualization, although it needs to be stressed that this interest has yet to be translated into many concrete practical initiatives incorporating the principles of early action/early identification. This, we would argue, reflects the significant technical difficulties (discussed above) facing the construction of effective early identification tools, and robust assessments of the optimal timing of policy interventions.

3. Evaluation

In this chapter, we examine:

- C some conceptual issues which need to be tackled in evaluation of policies for the long-term unemployed;
- C issues concerned with the choice of empirical evaluation methodology, with some emphasis on the ‘appropriate’ methodologies for target-oriented evaluation research;
- C examples of evaluation findings from the literature, and pertaining to the examples of policy types discussed in Chapter 2.

3.1 Evaluation issues

There are some important general points which can be made about the problems which need to be addressed in evaluating such measures for the long-term unemployed, and the kinds of methodological approaches which are appropriate for evaluation purposes.²⁴

3.1.1 Identification of objectives

Policy measures for the long-term unemployed may have a variety of specific objectives, and it is crucial, therefore, that any evaluation be conducted against the stated objectives of the specific measure(s) in question. A key question is ‘what effects are policy-

²⁴Many of these evaluation issues are not specific to measures aimed at the long-term unemployed, but also apply to (active) labour market policies in general. For a comprehensive international review of labour market policy evaluation issues, see Schmid *et al.* 1996. A clear discussion of evaluation issues, and examples of evaluation results (drawing mainly on the North American experience) can be found in Fay (1996). Layard *et al.*, 1991 (chapter 10) also make some useful points on this topic.

makers trying to have on the target group (long-term unemployed), through the measure or measures in question?’

Whilst this point may be an obvious one, it is one that is not always observed in practice. It is common, for example, to see evaluations which conclude that a high substitution rate (i.e. long-term unemployed people entering jobs at the expense of other potential employees) indicates lack of policy effectiveness, whereas it may be a legitimate objective of the measure in question to encourage such substitution. Similarly in evaluations of self-employment schemes for the unemployed, evidence of low enterprise survival rates is commonly seen as evidence that the measures are ineffective. One objective of such measures, however, may be to remove people from unemployment for a short period (at a relatively low cost, typically related to their unemployment benefit entitlement) and, at the same time, through the experience of starting and running a business, to impart some valuable skills and human capital and improve the participant’s subsequent employability in the eyes of employers. From this perspective, whilst a high survival rate may be desirable, its lack does not necessarily imply that the programme is ineffective.

3.1.2 Controlling for other relevant variables

Any evaluation needs to take account of the influence of non-policy factors which affect the policy outcome. This may apply at the individual level, so when looking at post-scheme experiences of participants, for example, it is desirable to identify how far those experiences can be attributed to the scheme itself, and how far to other factors. Ideally, therefore, an experimental or control group evaluation (see below) should be conducted.

Similarly when identifying policy impact at the aggregate level, over time or across countries, it is desirable to allow for other factors which affect the outcome. It is not sufficient to observe, say, that the rate of long-term unemployment falls following the introduction of specific measures; rather it is necessary to allow for what would have happened to the rate of long-term unemployment in the absence of the measure(s), ideally by building estimates of the timing and intensity of the measure into aggregate time-series econometric models of employment (see the discussion of aggregate impact analysis below).

3.1.3 Offsetting impacts

As is well-known, it is normally necessary when evaluating a labour market policy measure to allow for effects which may offset the immediate gross impact of the measure. Nevertheless, it is still possible to find a large number of so-called ‘evaluation’ studies, which concentrate largely or solely on gross effects, e.g. by identifying from a survey or administrative data, the proportion of participants entering employment. Whilst this is useful for monitoring scheme performance, and examining its cost-efficiency, it is no substitute for full evaluation.²⁵

There at least three major potential offsetting impacts evaluations need to test for:

- C **deadweight;** where the apparent ‘impact’ cannot be attributed to the measure itself. Examples are where a subsidy is paid for jobs which would have been created in the absence of the subsidy, or where an individual unemployed person entering

²⁵ For a discussion of the role of labour market programme monitoring, and its relation to policy evaluation, see Auer and Kruppe (1996).

employment after training or counselling would have found the same job without the policy intervention;

C **substitution**; where the measure has an effect on its target group, at the expense of a non-target group. Examples include cases where a subsidy or training scheme enables a long-term unemployed person to fill a vacancy which would otherwise have been filled by a short-term unemployed person or a new labour market entrant. It should again be stressed, however, that such substitution may be a desirable outcome;

C **displacement**; where the measure's net effect is lower than its gross effect, because the intervention has market-distorting effects leading to job loss elsewhere. Examples are where a wage subsidy enables a firm to take business from competitor firms; or where a subsidised unemployed person entering self-employment takes business from existing self-employed persons or competing small enterprises.

In principle, aggregate impact analysis (see below) can identify a measure's full net impacts, but it is not usually possible to separate out the relative importance of the above three types of effect from aggregate analysis. For this, micro-level analysis, e.g. through surveys, is often required, but there are severe limits to such evaluations (firms and individuals may find it hard or impossible accurately to identify deadweight; and displacement can usually be assessed at the micro level only through in-depth surveys, not only of the firms directly affected by the measure, but also of their competitors and suppliers ²⁶).

3.1.4 Scheme design and implementation

It is increasingly clear that the design features of a particular measure, the method of its implementation, and the skills of and relationships between the various delivery agents, may have important implications for its outcomes. This recognition is not often fully reflected in evaluation studies, although in recent years, particularly in countries where policy implementation is decentralised, allowing local actors a certain amount of discretion in design and implementation, the role of these factors is now being examined. Such studies suggest that the following elements may be of importance:

C **eligibility criteria**: these may be the formal criteria, e.g. the extent of targeting on particular disadvantaged groups among the unemployed. Informal eligibility criteria may also be important, e.g. where institutional incentives bias participation towards one group or another. Thus, for example, 'creaming effects' in training schemes are often observed, with delivery agents tending to select unemployed individuals with 'positive' characteristics who are more likely to meet scheme performance targets. ²⁷ There are several important trade-offs here, whose net effects cannot be determined a priori. Thus, for example, compared with a scheme with broad eligibility, a scheme targeted on particularly disadvantaged groups may have low deadweight effects, but

²⁶For one of the few examples of such an intensive approach to evaluation, based on surveys within a local labour market, see the evaluation of the UK's Enterprise Allowance Scheme: Elias and Whitfield (1987), Hasluck (1990).

²⁷For evidence of 'creaming' in the context of the UK's main training programme for the long-term unemployed (Training for Work), see Meager (1995).

its effective job placement rates may also be lower, and the cost per placement correspondingly higher;

- C **institutional context.** It is clear that the actors and institutions involved in programme delivery may have an important influence on scheme impact, especially if they have discretion in the design of the scheme, the degree and level of support provided to participants etc. Where possible, therefore, evaluations need to take account of, and isolate the impact of such institutional variety in scheme implementation;
- C **scale, duration and coverage of payments.** For any given programme design and amount of public expenditure, the scale of payments, their duration and coverage, may have an important impact. Thus, for example, there may be diseconomies of scale, and the observed positive effects of a small local subsidy or training scheme may be dissipated (e.g. through growing deadweight and displacement) if the scheme is expanded to a wider area and with greater coverage. A key question for policy makers is whether it is more effective to spend a given sum on a large number of participants each receiving a small subsidy and/or a subsidy for a short duration, or to reduce the number of participants with a corresponding increase in the amount and duration of subsidy. Once again this is a question which cannot be addressed a priori, but requires empirical evaluations.

3.2 Evaluation methodologies

A wide range of methodologies has been deployed to assess the impact of policy measures aimed at reducing long-term unemployment; in principle, these are no different from those which are commonly used in the evaluation of other (active labour market policies. See also Schmid et al. (1996) and Fay (1996).

3.2.1 Experimental/control group evaluations

The most rigorous approaches to policy evaluation at the microeconomic level attempt to identify a measure's impact on participants, in comparison with a control group not affected by the measure. Such approaches are common in the USA and Canada, but are rarely used in European countries, where they are often ruled out on grounds of cost, ethical objections to experimental evaluations, or simply because political expediency requires a rapid implementation of a measure.

We can identify at least three variants of this approach:

- C 'pure' random experiments;
- C matched comparisons;
- C local pilots (with design variations);

'Pure' random experiments, or experimental approaches with random assignation are often seen as the 'gold standard' for evaluation. A full description of this approach, and its application to labour market policy evaluation can be found in Björklund and Regnér (1996). The essence of the approach is that two groups (a 'treatment' group and a 'control' group) are randomly chosen from the eligible population (e.g. the unemployed). The first

group then receives the treatment (participates in the labour market policy measure), whilst the second does not, and the approach avoids the issues of ‘selection bias’ typical in other control group methods (see below).

This does not mean that there are no disadvantages, however. Apart from ethical and cost issues, biases may arise because the existence of the experiment itself affects behaviour, e.g. if unemployed people in the locality of the experiment postpone or reduce active job search in the hope of being selected for the experiment. Equally, their knowledge that they are participating in an experiment may also influence the behaviour both of participants, and of those administering the scheme.

Nevertheless, random experiments have considerable advantages over the more common alternative, the ‘quasi-experimental’ or ‘**matched comparisons**’ approach. This also involves a treatment group and a control group, the difference being that the evaluation takes place *ex post*, with the control group chosen from among those not participating in the scheme. Whilst an attempt is made to control for observed personal characteristics (age, duration of unemployment, sex, skill and qualification levels), by definition the approach is likely to suffer from selection bias or ‘unobserved heterogeneity’, since the decision to participate or not in a scheme may be influenced by unobservable characteristics (motivation, for example). Whilst statisticians have developed sophisticated methods to control for this bias, the complexity of the subsequent analysis, and the judgement required in the selection of the appropriate technique, reduces the transparency of the evaluation, and increases the risk of erroneous conclusions being drawn.²⁸

Finally, it is worth also mentioning an variant of these control group approaches, namely the **local pilot approach**, in which the randomization is done on a geographical basis rather than an individual one. In this approach, certain localities (e.g. local labour markets, or PES administrative areas) are chosen (ideally at random) in which to pilot the measure, and its impact is assessed through comparison with areas not participating in the pilot (ideally controlling for relevant exogenous variables, such as local industrial structure and labour market tightness; or by choosing ‘matched’ control areas which are as similar as possible to the pilot areas). This method also allows the possibility of testing the effects of design variation, and variation in administrative systems and procedures.²⁹

3.2.2 Aggregate impact analysis

Aggregate impact analyses use econometric estimates of the statistical relationship between a policy measure’s introduction and intensity on the one hand, and observed developments in aggregate employment and unemployment on the other, in a model which allows for the impact of other relevant variables. Such approaches, the theory and methodology of which have been usefully summarised by Bellman (1996), are also commonly used to assess the macro-economic impact of measures, e.g. their effect on the inflation-unemployment trade-off, and on the ‘Beveridge curve’ (the aggregate relationship between unemployment and unfilled vacancies, as a measure of the efficiency of the job matching process in an

²⁸ Useful discussions of the methodological issues can be found in Blaschke *et al.* (1992) and Schnellhaas (1992).

²⁹ This approach has been adopted for a number of pilot measures in the UK; e.g. the new ‘Earnings top-up Scheme’, which involves a variant of the in-work benefit approach, is being evaluated this way.

economy). There is a large academic literature on these approaches,³⁰ which remains nevertheless somewhat inconclusive on the macro-economic benefits of active labour market policies.

For present purposes, however, our interest is mainly in the more limited use of such approaches, which attempt to pick up econometrically, the impact of measures on aggregate (long-term) unemployment and employment and the flows between the two. The enormous advantage of such approaches is that, in so far as appropriate aggregate data exist, and the measure in question is of sufficient scale and duration for the econometric estimations to be meaningful, they allow us to arrive at estimates of the full net effects of programmes. Thus they can provide an important complement to the micro level evaluations of measures (e.g. those based on surveys of participants — see below), which often exaggerate their impact, because they are unable adequately to assess factors such as deadweight, substitution and displacement. Typically, however, aggregate impact models leave the process by which the measure affects employment and unemployment as a ‘black box’, and are unable to distinguish the separate impacts of deadweight, substitution and displacement on the final net outcome. In an ideal world, therefore (see Bellman 1996 op. cit.), the aggregate impact approach should be seen as complementary to micro-level evaluations, with the former providing robust indications of net impact, and the latter providing insights to aid the interpretation of the aggregate results, and helping to steer policy through showing why net effects are lower than gross, and the relative importance of deadweight, substitution, displacement, and the scheme’s institutional context. Only micro-level evaluations can provide this complementary insight.

3.2.3 Participant surveys

These are the most commonly methods used to evaluate measures for tackling (long-term) unemployment. They involve administrative data to identify the characteristics of scheme participants, together with surveys of those participants during and/or after scheme participation to identify their perceptions, experiences, destinations etc. The main drawback of this approach, apart from cost and time, is that without external comparisons of non-scheme participants and post-scheme destinations etc. (which many studies do not include), it is difficult to draw conclusions about scheme effect per se. Equally, reliance on participants’ or employers’ perceptions to identify deadweight, substitution and especially displacement, is fraught with difficulties (although the latter can be eased through seeking collateral information from the competitors and customers of employers involved in, e.g. a subsidy scheme; see Elias and Whitfield, 1987 and Hasluck, 1990).

3.2.4 Monitoring with administrative data

Almost without exception, states and agencies which implement measures to tackle long-term unemployment have systems to monitor administrative data on scheme participants, outcomes and financial performance. As pointed out in Auer and Kruppe (1996), such exercises are typically concerned with issues such as the extent to which the scheme is reaching the target groups, as well as ‘outcome’ measures such as placement rates, and financial, material and staff costs of the scheme. Whilst such data can provide an important

³⁰ A useful summary of this literature, together with some cross-country econometric estimates of the macro-effects of active labour market policies can be found in OECD 1993 (see especially pp. 44-53); see also Layard and Nickell (1986) for a classic text of this literature; and Calmfors (1994) for a wide-ranging and up-to-date review.

input into scheme evaluations, particularly where they can be integrated, at an individual level, with survey data collected from participants (and ideally from a control group), they rarely provide sufficient material for an evaluation in their own right (although it is common to find descriptive accounts of such data labelled as ‘evaluations’).

3.2.5 What methodologies are required for target-oriented evaluation?

As Schmid et al. (1996) make clear, target-oriented policy evaluation does not require different methodological tools from those traditionally used in programme-oriented approaches. The strengths and weakness of the different methodologies outlined above, apply in a targeted-oriented evaluation in much the same way as in a programme-oriented evaluation. The difference resides rather in the overall design of the evaluation, which under the target-oriented approach, is ideally comparative, on the one hand, in the sense of facilitating a systematic comparison of effectiveness of the alternative policy approaches which can be applied to the target group (rather than focusing on the evaluation of a single measure). And, on the other hand, such an evaluation will also be comprehensive and multidimensional, with an emphasis not just on ‘what works’, but also on ‘why’; taking account in particular, for example, of financing, implementation and wider institutional factors.

In methodological terms this points towards:

- C where possible, greater methodological rigour, e.g. through an experimental or control group approach, but ideally using a sample and control group drawn from the target population (e.g. long-term unemployed), to examine the impact of the full range of measures to which this population has been subject (the recent studies of O’Connell and McGinnity (1997), and White et al. (1997), go a considerable way in this direction);
- C where such rigour is not possible (e.g. because of the large samples required to yield sufficient cases to analyse the full range of measures); aggregate impact analysis (again incorporating independent variables to reflect the full range of policy measures to which the target population has been subject) may offer considerable potential;
- C finally, at a more general level, reviews such as the present one, or that of Fay (1996), may help illuminate the impact of different measures for the target group in question, simply by bringing together the range of results from a large number of programme-oriented evaluations, and attempting to draw out common conclusions, or to explain differences. In practice, of course, such approaches leave unanswered as many questions as they answer, since the different methodologies and institutional contexts of the various scheme evaluations make reliable comparisons difficult to draw out. The work of Gardiner (1997) in the UK is, however, interesting in this context, since by focusing on a large number of measures, in a single national context, the institutional variety is reduced. Furthermore she adopts a standardised framework for comparing the different measures (supplementing the programme evaluations with further monitoring data from administrative sources on financing and costs), enabling her to draw some general conclusions about the comparative impact of measures per unit cost of public expenditure.

3.3 Evaluation findings and conclusions

In this section, we review the findings of empirical evaluations of active measures for the long-term unemployed undertaken in recent years in a range of countries. The review is not intended to be comprehensive. A key feature of the majority of the evaluations summarised here, however, is that they are programme-oriented rather than target-oriented. We also present results from a small number of evaluation studies which come closer to meeting the ideal of ‘target-oriented’ evaluation, but it is clear that the limited number of these evaluations, and the likely expense and technical difficulty of extending them on a wide scale means that programme-oriented evaluations are likely to dominate the field for some time to come. A key issue, therefore, is the extent to which we can build on these programme-oriented evaluations, and through comparisons between their results, construct a ‘quasi’-target-oriented approach, enabling us to draw some more general conclusions about ‘what works’ and ‘what doesn’t work’ with regard to the target of (re-)integrating the long-term unemployed.

3.3.1 The evaluation evidence

The studies examined are grouped according to the type of measure in question, in Tables 1 to 8 below, using the categories of measures in the typology developed in the previous chapter, whilst table 9 reports a small number of studies which use a target-oriented methodology to compare systematically the impacts of a range of measures addressed at the (long-term unemployed) target group. The tables include a brief summary of their main findings and conclusions relating to the measure’s effectiveness in contributing to the re-integration of the (long-term) unemployed.

We have drawn on published and unpublished literature uncovered during the course of the research, as well as some of the already-existing internationally-comparative reviews³¹, but inevitably, certain countries are over-represented in the discussion, particularly those in Northern Europe, North America, and Australia, with a tradition both of active labour market policies, and of policy evaluation. In this respect the research incorporates and builds on the work of Fay (1996), who argues that the evaluation tradition, and the use of rigorous experimental methods, is more highly developed in North America than in Europe:

‘A first observation is that two countries — Canada and the United States — evaluate their programmes more than others. There are very few evaluation studies available from most European countries and none from Japan’ Fay (1996) p.12.

Arguably, however, Fay’s conclusion on the relative lack of European evaluation research is exaggerated, as suggested by the large number of European studies included in the tables below.

In addition to the variation between countries in availability of evaluation material, however, it must also be noted that certain types of measure are less well-represented in the evaluation literature than others. This particularly applies to measures which have attained prominence more recently (including, for example, guidance, counselling and job-search initiatives; and more innovative individualised approaches), as well as for those which operate on a small scale, or at a local level (such as the many of the ‘intermediate labour market

³¹ See, for example, OECD (1993) pp 53-68 for such a review of active labour market measures, as well as work by the present author (Meager and Morris, 1996) which reviewed much of this literature.

initiatives ³²). By contrast, most of the major traditional large-scale measures (including employer subsidies, mass job creation schemes, training schemes, and self-employment subsidies) have been subject to numerous evaluations over the years, and are disproportionately represented in the discussion below.

³² There exists, in addition, a large literature on locally-based initiatives, (see for example the reports of Phases 1 and 2 of the European Union's ERGO initiatives, as well as country reports of evaluations of European Social Fund actions). We do not attempt to summarise this literature, but simply note that a high proportion of these evaluations are of the 'monitoring' type, and do not attempt a rigorous analysis of the net effects of the measures.

Table 1: Subsidies for employers

Country	Measure	Evaluation method	Author/ references	Results
Aust	Jobstart Programme	Surveys of participants and employers	Byrne (1994), reported in Fay (1996)	Participants had subsequent employment rates twice as high as control group (60% compared with 30%), but selection bias likely in sample
B	Recruitment subsidy	Employer survey	Van der Linden (1995)	Subsidy for recruitment of disadvantaged people (unskilled youth, LTU, welfare recipients, disabled and women out of the labour market for 5+ yrs). Deadweight of 53%, substitution effect of 36%. Displacement not estimated, but full net effect of programme likely to have been negligible (only 12% of employers would not have hired anyone without subsidy). Deadweight did not appear to be higher in large firms
CZ	"Socially Purposeful Jobs" - loans/ subsidies for private sector job creation	Aggregate impact analysis: quarterly data from employment office districts	Boeri & Burda (1996)	Evaluation considered impact of two major ALMP measures together (<i>ie</i> employment subsidies and public job creation schemes - see table 2 below), and did not distinguish their separate effects. Taken together the analysis shows a small statistically significant effect of ALMP expenditures, job creation, and program intakes on outflows from unemployment into employment
D	Wage subsidy scheme	Aggregate impact analysis	Bellmann & Lehmann (1990)	No significant impact on outflow from long-term or short-term unemployment

D	Wage cost subsidy scheme, for 3m+ unemployed (short-term - 1975)	Aggregate impact analysis	Schmid (1979)	Net job creation (preservation) effect of 25% (ie 75% of subsidised jobs would have been created/preserved in any event, or they simply displaced unsubsidised jobs). This implies a net cost to the exchequer
D	Eingliederungs-beihilfen	Aggregate impact analysis (and interviews with scheme managers)	Schmid (1982)	Key target groups (older people, women and long-term unemployed) under-represented on programme. Deadweight very significant for young people. Elderly and long-term unemployed hard to place even with large subsidy (but once placed more likely to remain in unemployment)
F	CRE	Employer survey	Gautié <i>et al.</i> (1994)	More than 50% of jobs created were deadweight (but compares with average of 80% in case of youth subsidies). Larger firms more "choosy" in recruitment under subsidy.
IRL	Employment Incentive Scheme	Employer survey	Breen & Halpin (1989)	Deadweight high (two thirds or more); substitution against other job-seekers of 21%, displacement around 4%. Overall net impact, likely to be no more than 5%.
NL	Veermeend-Moor Act (subsidy for 3yr plus LTU)	Various (including aggregate impact and employer survey)	de Koning (1993); de Koning (1995); de Konig & van Nes (1989 & 1991); de Konig & Gelderblom (1990); Gravestijn <i>et al.</i> (1988)	20-33% deadweight (estimated that up to 70% of LTU persons placed would not otherwise have found a job), but high substitution in favour of the LTU - no more than 15-30% of placements are additional to total employment in the economy. May be significant displacement through competition effects given size and duration of subsidy Overall assessment that VMA increases the re-employment probability of the long-term adult unemployed by about 10% Analysis at local level, suggests that variations in implementation method by local labour exchanges has significant impact on programme outcomes.

NL	JOB-scheme (subsidy for 2yr plus LTU)	Aggregate impact and employer survey	de Koning (1993)	High deadweight(22-40% would have found job anyway; 52% not sure whether they would) Very little evidence of net increase in total employment (ie high substitution of young LTU for other groups). Displacement through competition likely to be low. Overall assessment that JOB-scheme increases re-employment probability of long-term unemployed youth, but by less than 10%.
NL	KRA/RAP (recruitment subsidy (for 2yr+ LTU - aiming at regular employment)	Aggregate impact analysis and employer survey (with control group)	de Konig et al. (1992); de Konig (1995)	Low or negligible deadweight, but very high level of substitution - combined deadweight and (full of partial substitution) of between 76 and 89%; Significant increase in employment probability of participants (after 1.5-2 years) compared with control group - difference between participants and control group increases with unemployment duration before placement.
S	Employment Subsidies	Employer survey	Vlachos (1985)	High deadweight; net employment effect very limited.
S	Reduced payroll taxes	Local pilots (experimental; and matched comparisons with unsubsidised firms	Bohm & Lund (1998)	Comparisons between pilot areas and control areas, and between subsidised and unsubsidised enterprises showed no positive impact of subsidy on employment

UK	Workstart Pilots	Employer Survey	Atkinson & Meager (1994)	Survey allowed assessment of short-term impact of subsidies, taking account of deadweight and substitution: - full additionality (zero deadweight; positive substitution for LTU), in 18% of cases; - part additionality (zero deadweight, no substitution), 11% of cases; - full substitution (deadweight, but substitution for LTU), 28% of cases; - full deadweight (deadweight and no substitution), 43% of cases ie policy influenced selection in favour of LTU in 46% of cases, and promoted employment growth favouring LTU in 29% of cases Some evidence of positive influence on employer attitudes Indirect evidence that displacement low (but NB small scale of pilots)
UK	Training & Employment Grants Scheme (Scotland)	Employee and employer surveys	NERA (1995)	Focused on LTU and those at risk of LTU. Subsidy covers training costs, and 50% of wage costs. 43% of participants remained with employer; 37% moved to another job. Deadweight low (16-20%) - net additionality 27% (larger in small firms)
USA	JTPA-IIA- subsidise employment option	Random experimental approach	Bloom <i>et al.</i> (1994) reported in Fay (1996)	Significant earnings effect for women; effects less clear for men; no impact for youth

Table 2: Direct employment: Traditional job-creation and intermediate labour market schemes

Country	Measure	Evaluation method	Author/ references	Results
A	"Aktion 8000"	Longitudinal participant survey with control group	Lechner <i>et al.</i> (1996)	Positive effect on subsequent employment and income levels compared with control group (3-4 years after participation in scheme)
A	Sozial-ökono-mische Beschäftigungs-projekte	Longitudinal participant survey with control group	Biffl <i>et al.</i> (1996)	Positive effect on subsequent employment and income levels compared with control group (1 and 2 years after participation)
CZ	'Publicly useful Jobs' - employment in public works programmes	Aggregate impact analysis	Boeri & Burda (1996)	Evaluation considered impact of two major ALMP measures together (ie employment subsidies and public job creation schemes - see table 1 above), and did not distinguish their separate effects. Taken together the analysis shows a small statistically significant effect of ALMP expenditures, job creation, and programme intakes on outflows from unemployment into employment
D	Job-creation scheme (not specifically for LTU)	Aggregate impact analysis	Bellman & Lehmann (1990)	Job-creation scheme has significant positive impact on outflow from short-term unemployment No significant impact on outflow from long-term unemployment

D	ABM	Individual data on participants	Spitznagel (1989)	After living ABM, only 22.4% of participants in employment; employment rate increases to 42.2% after 32 months (<i>but no control group comparison?</i>)
DK	Job Offer Scheme (work experience/ subsidised jobs option)	Individual data with control group??	Rosholm (1994)	Likelihood of leaving unemployment peaks immediately after participation in temporary jobs (especially where the latter were in the private sector). Such effects not strong enough to compensate for reduced employment impact <i>during</i> period of scheme itself. Participants finding subsequent jobs kept them longer than did non-participants. Impact greater than for training options under the Job Offer Scheme (see Table 4)
F	TUC programme	Longitudinal cohort of young people (controlling for heterogeneity bias)	Bonnal <i>et al.</i> (1994, 1995) (<i>reported in Erhel et al. 1996</i>)	For unqualified young people, TUC increased probability of employment (but duration of subsequent employment shorter than that of youth participating in training measure - <i>see Table 4</i>). But for young people with existing technical qualifications, employment probability were reduced by participation in TUC. After TUC, no evidence of increased income for unqualified youth (and effect was negative for women) - <i>ie</i> possibility of stigmatisation/loss of human capital for well-qualified persons participating in scheme.
FIN	Municipal works under employment Act 1987	Aggregate impact analysis	Erikson, (1994)/OECD (1994)	(targets adults unemployed for over a year, and young people for over 3 months) Scheme enhanced flows out of unemployment, but also led to some flow back into unemployment after participation.

H	Public works scheme	Participant follow-up surveys (no control for selection bias)	O'Leary (1994)	No significant positive effect of participation compared with unemployed control group (controlling for observed personal characteristics); participants have lower likelihood of finding unsupported employment than do control group (suggests that participation may be negative signal to employers)
IRL	Various temporary employment schemes	Longitudinal cohort of young people (with control group)	Breen (1991a) and (1991b)	Participants have over 30% greater chance in short-term, and 25% greater chance after one year of being in employment compared with control group (controlling for observable characteristics). This effect is bigger than effect of training programmes for comparable groups. (<i>see Table 4</i>) Controlling for unobserved differences between participants and control groups, however, the short and long-term impacts, although positive, are not significant (<i>ie</i> cannot reject hypothesis that programmes have no effect).
IRL	Work Experience Programme	?	Breen (1988)	High deadweight - 3/3 of participants got job after participating (but similar proportion would have got job without scheme), ie scheme effectiveness less than gross placements rate suggests. Most of those getting jobs were 'retained' by the employer with whom they had been placed on WEP.
NL	JWG (follow up to AAJ <i>see table 5</i>); subsidised temporary work for LTU youth	Administrative data, participant survey, and interviews with officials	de Konig <i>et al.</i> (1994)	Short-term effect high (participants would not otherwise have had work in 70% of cases); smaller medium-term effect - increased participants chances of subsequent regular employment by 20%.

NL	Labour Pools for 3 yr+ LTU	Participant survey	de Munnik (1992)	Deadweight 15%; substitution 15%
S	Public relief work programmes	Aggregate impact analysis (annual times series)	Forslund & Krueger (1994)	High evidence of displacement (69%) of private sector jobs in construction sectors; less clear evidence of displacement in health and welfare sectors.
S	Public relief work programmes	Aggregate impact analysis (annual times series)	Gramlich & Ysander (1981)	High levels of displacement in construction-related activities. Much less in social and community schemes.
S	Public relief work programmes	Analysis of sample of unemployed (including control group of non-participants and participants in other Active LM policies)	Ackum Agell (1995)	Compared with non-participants, participants more likely to remain in unemployment (<i>ie</i> non-participants enter permanent or temporary job more quickly than participants). But NB some possibility of selection bias in sample. Participants' probability of getting permanent or temporary job is less than that of participants in replacement schemes (<i>see Table 3</i>)
S	Public relief work programmes	Individual data with control group of non-participants (controlling for selection bias)	Edin & Holmlund (1991)	Adult participants search no more intensively for regular jobs than those already in regular employment. Participants not significantly more likely to find work than the openly unemployed (in fact re-employment rate is significantly lower in relief jobs than in unemployment).</TR>
S	4 job-creation schemes targeted at youth	Aggregate impact analysis	Skendinger (1995)	Estimates over 20 year period, suggested 100% displacement (<i>ie</i> no net impact on employment for young people)

UK	Community Programme	Aggregate impact analysis	Bellmannn & Lehmann (1990); Jackman and Lehmann (1990)	Impact not statistically well-defined. Cannot reject hypothesis that CP has no effect at all on outflow from unemployment at any duration.
UK	Community Programme	Aggregate impact analysis	Haskel & Jackman (1988)	
UK	Community Programme	Aggregate impact analysis	Disney et al. (1992)	No statistically significant impact of CP on outflow from unemployment.
UK	WISE Group schemes (Glasgow)	Participant data; cost-benefit analysis	Crimes (1996); McGregor (1996)	Participants have better employment probabilities than participants on main national (training and work experience) schemes for the long-term unemployed (<i>but selection bias</i> ?); deadweight and displacement claimed to be low; net costs per place and cost per subsequent employment placement compare favourably with traditional schemes (allowing for exchequer savings on benefits and tax incomes; and economic value of products and services produced by projects).
UK	Employment Action (comparison with Employment Training - see Table 4)	Individual survey with matched comparisons	Payne <i>et al.</i> (1996)	Employment Action: - reduced probability of getting a job by 1% (after 1 yr), increased it by 4% points (after 3yrs) Worse job performance of than Employment Training (see Table 4) attributable to the latter offering greater opportunities than EA for employment placements, and for gaining formal qualifications.

Table 3: Work-sharing/reducing labour supply

Country	Measure	Evaluation method	Author/ references	Results
S	Replacement scheme (covering employment leave)	Analysis of sample of unemployed (including control group of non-participants and participants in other Active LM policies)	Ackum Agell (1995)	Compared with non-participants, participants more likely to remain in unemployment (<i>ie</i> non-participants enter permanent or temporary job more quickly than participants). But NB some possibility of selection bias in sample. But participants' probability of getting permanent or temporary job is less than that of participants in other Swedish active Lm measures (LM training, job instruction projects, and relief work).

Table 4: Training (Vocational skills)

Country	Measure	Evaluation method	Author/ references	Results
A	Labour Market Training Programmes (general - wide eligibility, but special emphasis on disadvantaged groups)	Aggregate impact analysis	Zweimüller and Winter-Ebmer (1996)	Austrian labour market policy has a 'catching up' impact, through training programmes; specifically: - despite broad eligibility criteria, disadvantaged groups are given priority in programme enrolment; - participation in such courses improves employment stability (in terms of repeat unemployment risk) considerably - ie raises chances of disadvantaged groups to average for all unemployed persons
		(local) participant survey with control group	Faschingbauer <i>et al.</i> (1990)	Evidence of 'creaming' in selection for programmes; despite this, participants' subsequent employment chances no better than that for control group.
A	Soziale Kursmaßnahme (Qualifikationsmaßnahme)	Longitudinal participant survey with control group	Biffl <i>et al.</i> (1996)	Positive effects on subsequent employment and income levels compared with control group (1 and 2 years after participation)

Aust	Jobtrain Programme	Matched comparison group analysis	DEET (1994), <i>reported in Fay (1996)</i>	Employment rates 12% points higher than comparison group, but programme less effective than other schemes (eg Job Clubs). Strongest impact immediately after training; ie after 5 months, unemployed ex-participants have similar job-finding chances to comparison group.
B	Subsidising training in Enterprises	Employer survey	Van der Linden (1995)	Deadweight of 35%, substitution effect of 9% (displacement not estimated).
Can	Job Entry Program (Severely Employment Disadvantaged option)	Quasi-experimental	Trican (1993)	Significant increases in employability (12-16%), and significant increases in earnings.
Can	Comparison of 3 training programmes	Quasi-experiment with control group - controlled for selection bias	Geehan & Swimmer (1991)	Positive income and earnings effects for women (both effects negative for men). Effects significantly higher for training involving a placement with a private sector employer. Programme targeted at most severely disadvantaged has bigger impact than the other two options.
D	Further training	Aggregate impact analysis	Bellmann & Lehmann (1991)	No significant impact on outflow from long-term or short-term unemployment.
D	Retraining	Aggregate impact analysis	Bellmann & Lehmann (1990)	No significant impact on outflow from long-term unemployment. Reduces outflow from short-term unemployment.

D	Training programmes for adults	Programme data and Aggregate impact analysis	Disney <i>et al.</i> (reported in Erhel <i>et al.</i> 1996)	High drop out rate among least qualified participants. Evidence that mainstream adult training programmes fail to reach the hardest-to-place and most disadvantaged groups. Employment outcomes better for one-the job of the job programmes (but again reflects under-representation of most disadvantaged groups). Post training employment probability decreases with age. Aggregate impact analysis shows that further training/retraining measures are less successful than direct job creation measures after controlling for deadweight and substitution.
DK	Job Offer Scheme (training option)	Individual data with control group??	Rosholm (1994)	For most participants, participation had negative or insignificant impacts on the exit rate from unemployment (main exception was for prime aged women, for whom the effect was positive). Some training options prolonged the total duration of unemployment, and period of scheme participation (especially for men, and older unemployed). In comparison work experience options under the Job Offer Scheme had a more positive impact (see Table 2).
F	Training measures for unemployed youth	Longitudinal cohort of unemployed young people (with control group)	Bonnal <i>et al.</i> (1994 and 1995)	Participation in the training measures increases the subsequent employability for the least well qualified unemployed youth, but prior qualification levels are important in determining salary levels achieved (and participation in a scheme makes little or ne difference to this). Duration of job achieved after training measure was longer than that achieved after participation in job-creation programme (TUC) - see Table 2

H	Training scheme for unemployed	Participant follow-up surveys (no control for selection bias)	O'Leary (1994)	Small positive effect of participation compared with unemployed control group (controlling for observed personal characteristics); participants are 6% more likely to find unsupported employment than support group.
IRL	Various short-term training measures	Longitudinal cohort of young people (with control group)	Breen (1991a) and (1991b)	Participants have over 16% greater chance in short-term, and 7% greater chance after one year of being in employment compared with control group (controlling for observable characteristics). This effect is much smaller than effect of temporary employment programmes for comparable groups. (<i>see Table 2</i>) Controlling for unobserved differences between participants and control groups, however, the short and long-term impacts, although positive, are not significant (<i>ie</i> cannot reject hypothesis that programmes have no effect).
IRL	Vocational Training Opportunities Scheme (VTOS)	Participant survey, and interviews with scheme manager	WRC (1994)	(NB no control group comparison). 15% entered employment after scheme (17% were in employment one year after scheme). 67% still unemployed one year after scheme.
N	Labour Market Training	Quasi-experimental	Raaum, Torp & Goldstein (1995a,b), <i>reported in Fay (1996)</i>	Significant employment impact of LMT which leads to formal qualifications, but only in the public sector. No evidence that LMT improves motivation for further study. Vocational LMT positively related to employment among those with positive motivation. Employment effects may be negatively related to overall unemployment levels.

N	Vocational Training Programme	Quasi-experimental approach	Try (1993), <i>reported in Fay (1996)</i> Torp (1994)	
NL	Vocational Training Centres for Adults (general)	Participant survey with control groups	de Koning <i>et al.</i> (1991)	No significant impact on participants' job finding chances in comparison with control group, tow years after participation.. But (as <i>reported in Grubb 1994</i>), people leaving courses of training in some specific skills - metalwork and building - had only half the subsequent duration of unemployment than control group unemployed (but no similar effect from courses in clerical work)
NL	Centres for Occupational Orientation and Training (targeted at disadvantaged groups)	Participant survey with control group	de Konig and van Nes (1990); de Konig (1995)	Small positive impact on subsequent employment chances of participants (but effect greater for ethnic minorities, and those with very low educational level). Effect negative for short-term unemployed (less than 1 yr), then increases with duration - placement increase of 26% for those with 6yrs plus duration, 11% for those with 3-6 yrs duration.
PL	Training/ re-training measures for unemployed	Aggregate impact analysis	Córa <i>et al.</i> (1996)	No significant impact of training/re-training programmes on the rate of hiring from the unemployed into unsubsidised employment.

S	Labour Market Training	Weighted average of findings of 5 previous studies	Forslund & Krueger (1994)	Weighted average of earnings effects slightly negative (-0.8%); arithmetic average positive (close to 3%, but not significantly different from 3% or zero). Break even earnings impact of programmes (on reasonable earnings and interest rate assumptions, and allowing for cost of programmes) needs to be 3%. Conclusion - <i>'not enough support to reject the null hypothesis that training has no effect on participants' subsequent earnings'</i>
S	Labour Market Training	Individual data (with matched control group - control for selection bias)	Harkman <i>et al.</i> (1996)	Positive effect on participation on both employment and wages. Short-term (6m) employment effect unclear; long-run (2.5yrs) effect is around 10% point increase in employment rate of participants. Effects larger for younger participants, and those in nursing, manufacturing and communication courses. Estimated average impact on wages is 1.8%; impact diminishes with prior educational level (strong impact applies only to those with low educational background).
S	Labour Market Training	Individual data (with control group)	Regnér (1993)	Negative impact of scheme on earnings (less than 5%; not significantly different from zero)
S	Labour Market Training	Individual data (control group)	Tamás <i>et al.</i> (1995)	Short-term positive impact on earnings (3% higher than control group after 6 months), but slightly negative impact in longer term (over tow years).
S	Labour Market Training	Individual data with control group	Axelsson (1992) <i>reported in OECD 1993</i> Axelsson & Lögren (1992)	Positive impacts on subsequent earnings (20% increase after one year; 30% after tow years), <i>but likely selection bias in control group comparison.</i>

S	Labour Market Training	Longitudinal analysis of individual data	Andersson (1993)	Negative impact on subsequent earnings.
S	Labour Market Training	Individual data (with control group of non-participants and participants in other Active LM policies)	Ackum Agell (1995)	Compared with non-participants, participants more likely to remain in unemployment (<i>ie</i> non-participants enter permanent or temporary job more quickly than participants); but NB some possibility of selection bias in sample. Participants' probability of getting permanent or temporary job is less than that of participants in replacement schemes (<i>see Table 3</i>).
S	Labour Market Training	?	Björklund (1989)	Impact on earnings slightly negative (but not significantly different from zero); schemes raise probability of employment by 4.4%-5.5% (using linear control function) and by 2-8% using fixed effects model, depending on period. But only the 8% estimate is significantly different from zero.
S	Labour Market Training	Duration models - individual data	Korpi (1992)	Longer experience in labour market training schemes associated with greater subsequent stability of employment for Stockholm youths; youths finding jobs directly after scheme participation tend to stay longer in the jobs.
S	Labour Market Training	?	Edin (1989)	Impact on subsequent earnings positive (5%), but not significantly different from zero.
S	Labour Market Training	?	Björklund & Moffit (1987)	Decreasing returns to scale - negative effects on subsequent wages for marginal participants on training programme.
S	Labour Market Training	?	Ackum (1991)	Negative impact on wages of -5% (but not statistically significant)

UK	Employment Training (<i>comparison with Employment Action job creation scheme - see Table 2</i>)	Individual survey with matched control group comparisons	Payne <i>et al.</i> (1996)	Employment Training: - increased probability of getting a job by 3% points (after 1yr), 15% points (after 2yrs) and 22% points (after 3 yrs); Better job performance of ET than Employment Action (<i>see Table 2</i>) attributable to its offering greater opportunities than EA for employment placements, and for gaining formal qualifications.
UK	Training Opportunities Programme (TOPs)	Individual survey with matched control group comparisons	Payne (1990)	Significant positive effects on participants' subsequent earning compared with control group.
USA	Trade Adjustment Assistance Program	Quasi-experimental	Decker & Corson (1995), <i>reported in Fay (1996)</i>	No significant impact on participants' earnings compared with control group.
USA	JTPA-IIA, Classroom Training option	Random experimental approach	Bloom <i>et al.</i> (1994) <i>reported in Fay (1996)</i>	No evidence of significant earnings gains for any group.
USA	JTPA-II, Youth Training	Random experimental approach	DOL (1995), <i>reported in Fay (1996)</i>	No significant positive employment effects for any of the options. No reduction in youth crime or welfare receipt.

Table 5: Counselling/advice, job-search assistance/training etc.

Country	Measure	Evaluation method	Author/ references	Results
A	Soziale Kursmaßnahme (Orientierungs- bzw. Motivationskurse)	Longitudinal participant survey with control group	Biffel <i>et al.</i> (1996)	Positive effects on subsequent and income levels compared with compared with control group (1 and 2 year after participation)
Aust	Job Clubs	Participant survey	Redway & Patston (1994)	Positive employment effect (11%) compared with comparison group. Previous history of ALMP schemes reduced employment effect. Effects biggest for least qualified, those unemployed between 6 & 12 months, and males. Selection bias likely in sample.
Can	Industrial Adjustment Services	Quasi-experimental	Ekos (1993), <i>reported in Fay (1996)</i>	Effects mainly negative: participants delayed start of active job search, spent longer time unemployed, and had lower subsequent earnings than non participants.
NL	AAJ - counselling and job-search support for unemployed youth	National and individual data, and interviews with officials	de Konig <i>et al.</i> (1994)	Counselling had little impact on subsequent probability of entering employment or education/training
NL	Re-orientation interviews for LTU (3yrs plus) - <i>herorië nterings-gesprekken</i>	Participant survey with control group	Boumann (1992), <i>reported in OECD (1993)</i>	Small improvement in subsequent employment chances of participants (<i>but NB likely selection bias in control group comparison</i>)

NL	'tailor-made' placement services (local experiment in Holmlund)	Individual data on participants	van der Berg & van der Veer (1991??)	Hard-to-place/unemployable had 55% chance of a job within 1yr and 78% chance within 2yrs. Net impact is to raise chances of placement to the same as that of the same as that of the 'average' Dutch unemployed persons (53% within 1 yr). Significant proportion were placed with no additional training (including those with very low prior educational level). No significant variation in success rate by individual characteristics (ie no evidence of a real 'hard core' of unemployables). Average cost per placement significantly lower than Dutch norm for job creation measures.
NZ	Job Action	Quasi-experimental	NZ Dept of Labour (1995), <i>reported in Fay (1996)</i>	Targeted at 2 year plus LTU. No significant impact on take up of training, or unemployment benefit receipt. Marginal impact on take-up of full-time work. Some effect on registered unemployment due to 'policing' element.
S	Intensified job-research assistance from PES	Random experiment - individual survey with random control group	Delander L (1978), reported in Johannesson & Persson-Tanimura (1978) and Robinson (1995)	Positive impact - after 1 year, 55% of participants in employment (44% of control group). Participants' jobs significantly better paid, more likely to be long-term, and involved more in-plant training, than those of control group
UK	Job-search training element of Training for Work scheme	Multi-actor survey (participants and training providers)	Atkinson (1994)	Some evidence of positive effect (32% of those with job-search training gained employment compared with 26% of those without), but multivariate analysis suggests that effects are weak compared with institutional effect of local scheme managers (especially where employer placements involved), and participants' personal characteristics (especially prior duration of unemployed).

UK	Restart interviews	Aggregate impact analysis	Bellmann & Lehmann (1990), Lehmann (1993)	Restart increases outflow rate from overall unemployment, and from long-term unemployment. But reduces outflow from very short-term unemployment (<i>ie</i> some evidence of substitution), and hence some increase in inflow from short- to long-term unemployment.
UK	Restart interviews	Random experiment - individual survey with random control group	White & Lakey (1992)	Restart had small but positive effect (equivalent to 5% reduction in claimant unemployment) Compared with control group, during study period, participant: - spent less time in claimant unemployment; - made initial movement off register more rapidly; - entered jobs more rapidly; - Spend more time in either jobs or Employment Training (scheme for LTU); - at end of period, more likely to be in jobs or ET, and less likely to be register.

UK	Restart interviews		Dolton & O'Neill (1996) Dolton & O'Neill (1996a)	Long-term effects weaker than short term effects found by White & Lakey (above): - Restart reduces unemployed duration compared with control group; - but participants more likely to exit to 'stable jobs' (3 months plus) than control group. Restart has significant impact - reducing individuals likelihood of remaining unemployed in the short-run (effect partly attributable to 'threat' of suspension of unemployment benefits). Evidence also that being in the control group has lasting detrimental effect on individuals' likelihood of leaving unemployment for a job (raises ethical questions about control groups experiments).
USA	Comparison of various UI demonstration pilots	Random experiment	Meyer (1995), <i>reported in Fay (1996)</i>	Results from different pilots mixed but generally positive, with job-search assistance reducing average periods of unemployment. Evaluation not able to differentiate effects of different types of job-search.

Table 6: Subsidised short-term placements with employers

Country	Measure	Evaluation method	Author/ references	Results
S	Job instruction projects (6 month subsidised work placements)	Analysis of simple unemployed (including control group of non-participants and participants in other Active LM policies)	Ackum Agell (1995)	Compared with non-participants, participants more likely to remain in unemployment (<i>ie</i> non-participants enter permanent or temporary job more quickly than participants); but NB some possibility of selection bias in sample. Participants' probability of getting permanent or temporary job is less than that of participants in replacement schemes (see Table 3)

Table 7: Subsidies to individuals

Country	Measure	Evaluation method	Author/ references	Results
UK	Jobstart	Participant surveys	NERA (1995)	LTU entering low paid jobs receive subsidy of up to 22%. High deadweight (69% would have the job anyway). 71% still with employer, 3 months after end of subsidy.

Table 8: Self-employment schemes

Country	Measure	Evaluation method	Author/ references	Results
IRL	Enterprise Scheme	Participant survey (no control group)	Breen & Halpin (1988)	Deadweight 50%; displacement 30% (net effect 20%; rising to 34% if employees of new businesses included). Survival rates 88% (1yr); 60% (2yrs).
D	Überbrückungsgeld (NB general scheme including short-term unemployed)	Participant surveys (1 and 2); aggregate impact analysis (3)	1. Kaiser and Otto (1990); 2. IAB(1991); 3. Maeager (1993)	Deadweight low (less than 20%) - likely to be due to strict eligibility requirements of businesses; but survival rates, displacement and overall net impact unclear.
DK	Enterprise Allowance Scheme (<i>targeted at LTU as an option under Job Offer Scheme, q.v.</i>)	Participant surveys	Rosdahl (1993); Høgelund et al. (1992); Rosdahl & Maerkedahl (1987)	Deadweight 29-55%; indirect job creation relatively low (36 extra jobs per cent participants after 2 years); expected average survival of participants in sel-employment is 4.3 years; viability of subsidised enterprises lower than that of new start-ups in general. Overall conclusion is that scheme leads to (small) positive effect on aggregate employment
F	Aide aux chômeurs créateurs d'entreprises (<i>not targeted at LTU</i>)	Participant surveys	Commission of the European Communities (1988) Dossou (1988)	Deadweight around 35%; significant indirect job creation effects (97% extra jobs created per 100 participants after 5 years)

N	Entrepreneur Grants	Participant surveys	Bolkesjø et al. (1995), <i>reported in Fay</i> (1996)	Better qualified and over 30s have higher survival rates. Survival rate 50% after 4 years. No estimate of deadweight or displacement.
UK	Enterprise Allowance Scheme	Aggregate impact analysis	Bellmann & Lehmann (1990), Lehmann (1993)	Significant impact on outflow from intermediate duration categories No impact on outflow from long-term unemployment; no impact on very outflow short duration categories (ie some evidence of deadweight).
UK	Enterprise Allowance Scheme	Aggregate impact analysis	Johnson <i>et al.</i> (1988)	Weak evidence of positive effect of EAS on aggregate self-employment levels.

UK	Enterprise Allowance Scheme	Participant surveys (<i>NB this scheme has been subject to a large number of evaluations</i>)	MSC (1983); Hunn (1984); Allen & Hunn (1985); Wood (1985); Allen (1987); RBL (1987); Elias & Whitfield (1987); Simkin & Allen (1988); Owens & Demery (1988); Pattison & Demery(1988); Marston & Pattison (1989); Owens (1989); Hasluck(1990); Maung & Erens(1990); Smith & Tremlett(1990); PACEC (1990); Trenlett (1993)	Deadweight high (50-70%); displacement high (over 50%, depending on sectors); indirect job creation effect small (35 extra jobs per 200 participants after 2 years).
USA	Washington & Massachusetts self-employment demonstration projects	Random experimental approach	Benus <i>et al.</i> (1994), <i>reported in Maeger (1996)</i>	Participants more likely to enter self-employment and to remain self-employed for longer than control group (bigger effect where lump-sum subsidy involved); higher earnings in subsequent employment in Mass. experiment (ie some evidence of increased employability). No indirect job-creation effect.

Table 9: Comparative evaluations across schemes

Country	Measure	Evaluation method	Author/ references	Results
IRL	Full range of Irish ALMP measures (18 in total)	Matched comparison/control group (evaluation conducted only for youth - but measures examined not youth-specific) - selection bias controlled for	O'Connel & McGinnity (1997)	Categories measures according to a) supply or demand side orientation; and b) market-orientation. Findings suggest that market oriented schemes (eg specific rather than general skills-training; and indirect job-creation via subsidies rather than direct job-creation) had greatest impact in terms of: short and medium-term employment effects (job-placement and job-duration) and post-programme earnings. Individual characteristics (notably educational qualifications and previous labour market experience also important).
UK	Three schemes: work placements (Work Trials); job-search assistance (JobClubs) and improved job-matching (Job-Interview Guarantee)	Matched comparison/control group - selection bias controlled for	White <i>et al.</i> (1997)	All three programmes have substantial short-term employment impacts, net of deadweight. Work Trials has biggest short-term effect (35-40% point increase in employment rate compared with control group); Jobclubs and JIG have significant effects for women (15-18% point increase in employment rate), and for unqualified men (9-10% point increase in employment rates). No significant wage impact, except that Jobclubs have negative impact on wages for male participants.

D	Range of employment measures in E.Germany (short-time working; job creation; training and re-training, early retirement; social enterprises; Firm-sponsored training)	Individual data (Labour Market Monitor) with control groups, controlling for selection bias	Hübler (1997)	Traditional measures of public sponsored training are less effective in terms of employment effects, than are training measures (on- or off-the job), which are sponsored by firms.
UK	42 current UK ALMP measures	'Evaluation of evaluations' ie comparison of existing evaluation studies using standardised framework	Gardiner (1997)	Training measures have highest unit costs, not compensated by short-term placement effects (long-term impact unclear) Job-search measures have lowest unit costs, but smaller than average net employment effect (average 3%) Employer subsidies have low take up, and high deadweight resulting in high net costs per job Direct job creation schemes - no clear evidence In-work benefits have some impact on unemployment trap, but do not provide route to higher paid employment; Subsidies to individuals in finding/taking work have lowest cost per job (hard to compare with broader eligibility schemes since payment is triggered only at interview or on obtaining job)

3.4 Evaluation findings: do active labour market measures make a difference to long-term unemployment?

In reviewing the evidence on active labour market policies in general, and measures for the long-term unemployed in particular, two key questions arise:

- C first, whether at the **macro level**, there is any evidence that active labour market policies in general make a difference; and
- C second, at the **micro level**, which specific measures, with which eligibility criteria and design factors, with which delivery systems and in which combinations, make the most difference, and represent the best use of public resources.

Despite the massive volume of evaluation studies, many of which have been reported above, the answers to these questions remain somewhat unclear.

3.4.1 Macro-economic impacts

Our main interest in the present paper relates to the micro-level evidence, summarised in the tables above. Before attempting to draw some conclusions from the micro-level studies, it is, however, worth also briefly mentioning the evidence on the first of the above questions, on which there also exists a significant literature.

There is evidence from cross-country comparisons, that active labour market policies make a difference to the level and share of long-term unemployment in a country. Econometric analysis across 19 countries presented in OECD (1993), for example, suggests, using a simple measure of the ratio of expenditures on active labour market policies to unemployment benefits, that in countries where the degree of labour market policy activism is higher, long-term unemployment is lower.³³ These results are similar to the cross-country findings of Layard et al. (1991), and more recently of Zetterberg (1993). Such analyses are not unproblematic, however. First, there is an important question of causality. Several commentators (e.g. Grubb, 1993) have pointed out that the ratio of 'active' to 'passive' labour market expenditure is pro-cyclical (much of the passive expenditure has an 'automatic' component, rising proportionately in recession). Hence such positive cross-country results may tell us little more than that at times of high unemployment, and in places of high unemployment, governments tend to spend relatively more on unemployment benefits.

A second problem is that such findings have not always been replicated. For example, Forslund and Krueger (1994) repeating with 1993 data, the exercise of Layard et al. (1991) for the mid-1980s, found very different results. Whereas Layard et al. found that active labour market variables were negatively associated with aggregate unemployment, Forslund and Krueger's results yielded a positive association. At best, therefore, it would seem that the debate on the overall macro-economic impact of active labour market measures is still to be conclusively resolved.

3.4.2 Conclusions from the micro level evaluation studies

To address the second key question posed above, we now turn to look at the evidence from the large range of micro-level evaluation studies reviewed in the research for

³³ The other key variables in the OECD analysis are measures of the level of 'job security' in different countries, and measures of the maximum level of unemployment benefits; both tending to increase the rate and incidence of long-term unemployment across countries.

this paper. First we summarise, as far as possible, given their diversity, the common conclusions emerging from the programme-oriented evaluations with regard to the effectiveness of each of the types of measure (subsidies, training schemes etc.). To move the debate further in a target-oriented direction, we then attempt to draw comparative conclusions about the relative effectiveness of the different measures, singly and in combination. Where possible, we also take account of other factors which emerge from the evaluations (regarding, for example, the degree of targeting of measures, the scale of measures, the importance of delivery agents etc.). We also draw, at this point, on the evidence available from the small number of existing target-oriented evaluations.

Subsidies to employers

The evaluation studies reviewed above (Table 1), suggest that in general terms, subsidies to employers to recruit the long-term unemployed:

- C are relatively high cost per participant, and especially, per net job created;
- C they often have high deadweight effects;
- C displacement, although hard to measure reliably, is also likely to be high, where subsidy schemes are of a significant scale; and
- C some subsidy schemes report significant substitution effects, i.e. recruitment of the long-term unemployed in preference to the short-term unemployed, but this can be seen as a positive outcome for the schemes, in so far as redistribution is an objective.³⁴ In the UK Workstart pilot subsidies for the long-term unemployed, for example, redistribution was claimed as the main objective.³⁵

Nevertheless, it is clear that such measures can, in certain circumstances, play a positive role in the overall policy portfolio. Evidence from studies in both the UK and the Netherlands, for example, suggests that subsidies targeted at the most disadvantaged groups for whom other measures have proved ineffective (e.g. very long-term unemployed who have been out of work for two or more years) can make a difference to their re-employment. A further message from some of the studies, which has not been adequately stressed in previous discussion,³⁶ is that such measures can play an important role in influencing positively the attitudes of employers to the long-term unemployed, through bringing them in contact with each other, and providing an opportunity of 'testing them out' at lower than full wage costs. The UK evidence from the Workstart pilots (Atkinson and Meager, 1994) suggests that small and medium-sized enterprises in particular may be influenced by appropriately targeted subsidies. Some evaluations suggest that the extent to which the

³⁴ Although it has been argued, for example in the case of some Nordic countries with long-standing and large scale subsidy programmes, that where the subsidies become institutionalised they may lead to a rigorous segmentation of parts of the labour market, ending up with some kinds of jobs being offered only on a temporary basis to eligible long-term unemployed people, thereby effectively excluding other job-seekers from these jobs (Grubb, 1994 presents such an argument).

³⁵ House of Commons (1996) p.27.

³⁶ We have already noted the relative paucity of examinations of employer behaviour in evaluation studies.

subsidised employees benefit from continued advice and support, and training relevant to the job in question, both during and after the period of subsidy, is also relevant to scheme impact.

The relatively selective and targeted use of subsidies, also reduces the risk of both deadweight (the most disadvantaged and longest-term unemployed are by definition the least likely to be recruited without the subsidy) and displacement effects (which are likely to be significant only with large scale and widespread subsidies).

Finally it is worth noting that there is evidence (again studies in the Netherlands and the UK illustrate this well) that variations in the local implementation of subsidy schemes by the relevant delivery actors appear to affect outcomes. This is an issue which would justify further research (and which applies to most active measures, not just subsidies), and a key principle underlying target-oriented evaluation is that it should take such institutional ‘black box’ factors more explicitly into account. It has long been recognised in principle that not only the formal administrative regulations but also the informal procedures and processes through which a scheme is delivered may have important implications for its outcomes. There is, however, little hard evidence on how such processes operate in practice, and what might constitute transferable ‘good practice’. Do, for example, local PES officers, in ‘marketing’ a subsidy to employers focus on employers known to be favourable to recruiting the (long-term) unemployed anyway? It would be unsurprising if they did so, since these are the employers with whom they will often have the best contacts, and from whom they will get the highest take-up. The risks of deadweight, and ‘market saturation’ are however, higher. It was notable, for example in the evaluation of the Workstart subsidy in the UK ³⁷ that deadweight appeared somewhat lower in the pilot administered by the local Training and Enterprise Council (TEC), than in the three pilots administered by the PES. There may be several explanations for this, but one hypothesis was that the TEC, not being a placement agency, marketed the scheme more widely and/or to different types of employer (including employers who would not normally consider long-term unemployed recruits), than did the PES who were more likely to rely on their traditional employer contacts.

Job-creation measures, ‘second’ and ‘intermediate’ labour market initiatives

The intention of these kinds of initiatives is to provide for participants a bridge or transition between unemployment and regular employment. Through such programmes participants acquire relevant work experience (in some cases training as well) and are (re-) introduced to the routines and disciplines or working life, whilst society and the economy benefits from the work carried out.

As discussed in Chapter 2, we can, within this broad category, can make a distinction between:

- C traditional job creation measures, on the one hand; and
- C on the other — ‘intermediate’ labour market schemes

Traditional job-creation measures

Evaluation conclusions on large-scale job-creation measures are very mixed (see Table 2 above). On one side we find pessimistic conclusions being drawn in many countries with long-standing and large scale job creation measures (e.g. relief work in Sweden, ABM

³⁷ Atkinson and Meager (1994).

measures in Germany, the Community Programme in the UK during the 1980s, TUC in France), with significant displacement effects³⁸ being recorded in some cases (even though the underlying principle of such programmes is that they should not displace private sector activity), and little or no long-term impact on subsequent employment chances or earnings in other cases. On the other side, there are studies from some other countries (including Austria, Ireland, and the Netherlands), which record significant positive impacts.

It is difficult to distinguish the factors which lead to some job-creation measures being more successful than others, but the following issues emerge from the evaluation studies reviewed:

- C one concerns the extent to which the schemes offer work activities similar to those found on the open labour market; i.e. the closer the work experience is, in its content and conditions of work, to work in the regular labour market, the more effective the scheme is likely to be in terms of placement rates;
- C a second question is whether the schemes simply offer work experience, or whether other forms of support are also included. In particular, both of the following appear to improve scheme effectiveness:
 - combination of job-creation schemes with periods of (on- or off-the job) training for the participants;
 - inclusion within the schemes of support to deal with related social and family problems and/or remedial basic education (literacy, numeracy etc.);
- C a third issue is the extent to which the scheme is targeted on the most disadvantaged and longer-term unemployed. Programmes including shorter-term unemployed participants run greater risks of deadweight (and of perverse employment effects, through participants who might otherwise have got 'real' jobs, being held off the labour market during the period of participation);
- C the relationship with the benefit system can also be important. Schemes where the participants are 'pressed' into participation as a condition of benefit receipt may generate cycles of participation where people join schemes simply to ensure re-qualification for benefit;
- C the duration of the scheme may affect long-run effectiveness. On the one hand, stable, long-lasting schemes are more likely to evolve efficient and cost-effective projects and administrative procedures. There is a risk on the other hand that participants become 'stigmatised' in employers' eyes, and that repeat participation in such schemes itself becomes a dimension of social exclusion;
- C finally, the scale of the scheme appears to be important. The larger the scheme, the harder it appears to be to offer valuable and genuine work to the participants on the

³⁸ Note that the displacement issue sometimes goes wider than the displacement of private sector activities. It is sometimes argued, for example, particularly when the job-creation measures are delivered by local or municipal authorities, that there is a tendency for them to be used to conduct activities which might otherwise be carried out from the normal public sector budget. In this sense some or all of the activities are not additional, and simply represent a redistribution between one part of the public sector budget and another.

one hand, whilst avoiding displacing private sector activity on the other.

As with subsidy schemes, it seems that smaller scale job-creation schemes, targeted at the most disadvantaged groups and communities offer the greatest potential, and may be more cost-effective than some of the traditional large scale schemes.

'Intermediate labour market' schemes

It is notable that many of the features which appear necessary for the success of job-creation measures are incorporated in some of the newer 'intermediate labour market' schemes, although the literature contains very few rigorous evaluation studies of these schemes. Whilst there exist many descriptive accounts of such schemes, often claiming a high degree of success and effectiveness, these rarely approach the degree of rigour in data collection and analysis to allow firm conclusions to be drawn.

A further difficulty is that this type of measure covers a large number of types of initiative, the features of which are often very specific to the national culture involved, making it difficult to draw general and common conclusions about their functioning and effectiveness. Additionally, although it is clear that these initiatives have become more common in many countries, their diversity and local nature make it difficult even to document how many such initiatives there are, how many participants they have and with what characteristics etc., and except where such initiatives are part of a national government scheme, hard data are difficult to come by. Some national reviews have, however, recently been undertaken, under the auspices of a European Commission (DG V) funded network of such initiatives. These sources, although falling short of full evaluations, include nevertheless some useful examples and monitoring information.

Thus, for example, in Germany, two important developments³⁹ are:

- C *Beschäftigungs- und Qualifizierungsgesellschaften (BQG)* — this term covers a range of initiatives in West Germany from the 1970s onwards. Typically, they are legally-independent, not-for-profit initiatives whose function is to provide a bridge for disadvantaged groups between unemployment and the regular labour market. Although trading as businesses, few are self-financing and they are typically heavily dependent on subsidies under the Employment Promotion Act (AFG) or the Federal Social Assistance Act (*Bundessozialhilfegesetz*). Recent estimates for the re-unified Federal Republic suggest a total of 3,500 to 4,500 projects, with 75,000 to 95,000 participants;
- C *Gesellschaften zur Arbeitsförderung, Beschäftigung und Strukturentwicklung (ABS)*. These 'employment and structural development' companies had their origin in 1991 in the former East Germany, providing a bridging and training/retraining function for workers being shed from state enterprises following re-unification. These organizations differed from the BQG initiatives considered above, because of their 'preventative' element, and because of their role in the transition process in the new German states. A significant proportion of the enterprises were set up with funding under a new provision of the AFG which applied in East Germany from 1993, and which was subsequently extended into West Germany. By 1995, it was estimated that there were

³⁹ This information is drawn from BAG Arbeit (1996).

400 companies with around 155,000 participants (BAG Arbeit, 1996).

In France, a similar model of entreprises d'insertion ('re-integration' companies) exists; and estimates suggest (see CNEI, 1996; Bernier, 1996), that by 1993 there were some 14,000 participants benefiting from temporary job-creation and training in some 560 re-integration companies (with a further 5,000 full-time, managerial staff employed in the same companies).

Further recent evidence also suggests a growing role being played in a range of other countries by such social or community enterprises (the common feature being their re-integrative objectives for disadvantaged groups; their operation as 'businesses' providing socially-useful goods and services, and their attempt to provide work experience which is close to that of the regular labour market). Thus in Italy an important role is being played by 'social co-operatives' of which Marocchi (1996) estimates that there were some 2,500 in 1994, providing work for around 50,000. Similarly Estivill et al. (1995) document the role and nature of social enterprises in Spain, and according to Defourny and Simon (1996), reviewing the role of entreprises de formation par le travail, in Francophone Belgium, there were around 60 such enterprises in 1994, accounting for a total of 2,000 participants per year.

The findings from phase 1 of the ERGO programme of the European Union included extensive case-study documentation of a range of initiatives of this type, again with broadly positive conclusions:

'Re-integration enterprises and in some cases co-operatives can provide a better solution, more cheaply, and frequently with less deadweight than the general application of wage subsidy schemes or than "work of public utility" programmes. They operate with lower subsidies, and a work environment which is more like that of the "open" labour market (and therefore a better preparation for returning to it). Moreover, they generally provide better wages and conditions. They do not necessarily displace other jobs to a greater extent than "work of community benefit"' Commission of the European Communities (1992), p. 23

By their very nature, however, such initiatives tend to be small-scale, and locally-based, often with small numbers of participants, which militates against rigorous, statistically-generalizable evaluation conclusions. Thus, in the case of the French entreprises d'insertion, research (reported in CNEI, 1996) suggests that in 1992, 43 per cent of participants went on to regular employment, with a further 15 per cent entering further training. Similarly, for the Belgian entreprises de formation par le travail, Defourny and Simon (1996) report comparable figures of 33 per cent entering employment and 9 per cent entering training. Whilst such figures appear positive, in the light of the disadvantaged nature of the participant groups, in the absence of a control group evaluation, it is not possible to draw strong conclusions about overall impact.

Looking at the few evaluations of such initiatives which exist, however, (the case of the Sozial-ökonomische Beschäftigungs-projekte in Austria summarised in Table 2 above is a good example), the findings seem to be sufficiently positive, in terms of the standard 'outcome measures' relating to participants' subsequent employment probabilities, and income levels, to justify further experimentation with, and evaluation of such initiatives. This is particularly the case, if the other benefits typically claimed for such initiatives are also shown to be valid. In particular, it is argued:

- C that they involve lower exchequer cost than traditional job-creation measures;
- C that because of their embeddedness in local communities, serving the needs of those communities, they generate positive externalities in terms of local income multipliers, provision of local services, improvement of the 'quality of life' in deprived areas etc.;
- C that because they involve a working environment closer to that of the 'real economy' than is typically the case in active labour market schemes, the experience they offer to participants is more useful in facilitating subsequent transitions to market employment; and participation is less likely to generate a 'stigma' in its own right than is the case with traditional job-creation measures; and
- C that because they often combine a range of elements from other types of active measures, they can have a greater influence than these other types of measures taken individually. A key feature of most of these types of initiative, for example, is that they integrate training with work experience; and some (e.g. some of the German initiatives) go further than this to provide options for self-employment and business-generation among participants.

Further supporting evidence is recently becoming available from evaluations conducted of such initiatives in Scotland (Grimes 1996, McGregor 1996). These apparently have much higher post-scheme employment rates than do traditional schemes (around twice as high as for the main government training and work experience scheme for the long-term unemployed, for example).⁴⁰ Estimated costs per placement are similar to those of the national government schemes but, it is argued, that the latter do not generate to the same extent, products or services with significant local economic value to offset against this cost.

The evaluations to date, however, leave unanswered some important questions related to deadweight, substitution and displacement and there is a pressing need for further, in-depth evaluation of these kinds of schemes, with a particular emphasis on:

- C rigorous control-group comparisons of post-scheme success rates;
- C estimation of deadweight, substitution and displacement;
- C examination of the subsequent (medium to long-term) experience of participants, over time;
- C examination of employers' perceptions and views of participants leaving such schemes, in comparison with the long-term unemployed in general, and with participants in more traditional job-creation and training schemes in particular.

From a policy development perspective, a key issue is scale. The limited existing evidence suggests that such schemes can offer a useful, but modest contribution to tackling

⁴⁰ It is possible there is a selection bias problem here — i.e. whether the participants in the two programmes are strictly comparable in terms of personal characteristics *etc.* As far as can be judged, from published information, however, these projects, if anything, target groups of the population in which the most disadvantaged long-term unemployed, and those with extended durations of unemployment are relatively *over-represented*. If this is true, the relative performance difference between the two programmes would be even more notable than the crude figures quoted here suggest.

long-term unemployment at local level. It is less clear, however, whether initiatives can be translated to a larger scale. There may be an inherent paradox of diminishing returns to scale, if 'smallness' is a key element to such schemes' success. It is unclear therefore, whether deadweight, and displacement would increase disproportionately if such schemes were expanded, and whether it would become increasingly difficult to identify activities which would not displace private sector activities (experience in many countries with major job-creation initiatives — e.g. relief works in Sweden — raise this as a significant possibility). Further, it is possible that expansion of the schemes would inevitably involve a bureaucratization and standardization, detracting from their local approach and their character of 'real work for a real wage', such that participation might acquire the same stigma in the eyes of participants and of potential employers commonly found in state-funded active labour market measures.

Training measures (vocational skills etc.)

It is rapidly becoming conventional wisdom in the policy evaluation literature that labour market training and re-training schemes for the unemployed have not lived up to expectations. As many evaluation studies reported above have shown, such schemes (including those in countries such as Germany and Denmark, where the quantity and quality of workforce training in general is regarded as high), often appear to make little difference to the employment (or earnings) chances of participants.

Some caution should be exercised in drawing strong negative conclusions (such as those of Lange and Shackleton, 1994 and Robinson, 1996), on the basis of such studies.

First, the pay-off from training and skill acquisition is likely to be a medium or even long-term one. There is some inconsistency in governments regarding their wider workforce training and re-training measures as investments, whilst expecting immediate results from training measures for the (long-term) unemployed. It is notable that few evaluation studies (see Table 3 above) consider the employment and earnings impacts of such schemes over anything other than the immediate post-scheme period, but those which do, e.g. Harkman et al. 1996 (for Sweden), and Payne et al. (1996) for the UK suggest that the longer-run benefits for participants may be greater than short-term estimates suggest.

Second, the message from the short-term impact studies themselves is a mixed one: even in Sweden, where the number of evaluation studies is large, and where there is increasing pessimism among policy commentators regarding the effectiveness of labour market training, several studies record nevertheless significant and positive impacts. In some other countries (Austria, Ireland, and the Netherlands stand out as examples in the tables above) positive impacts on job-finding chances (and in some cases subsequent earnings) are observed, and it seems that smaller scale schemes, targeted on particular disadvantaged groups (youth or women, for example), and/or on particular skills and occupations, may have greater impact than larger scale, more general schemes. The Training Opportunities Programme in the UK in the early 1980s, which has among the most positive evaluation findings in the literature, is commonly cited as an example of such a scheme.

A further conclusion emerging from some of the studies, is that training the long-term unemployed may have a greater effect when it is customised to the specific needs of employers, rather than general in nature, and in particular, where the training is delivered in conjunction with practical work experience. It is notable, for example (see Payne et al. 1996), that the impact of the 'Employment Training' (ET) scheme for the long-term unemployed in the UK was greatest in those cases where the training was linked to a work

placement with a private sector employer (rather than to work experience on a job-creation project); and where the training led to a formal vocational qualification. Where work experience and training are combined, of course, it is difficult to disentangle their relative impacts on participants' employment chances. One possibility is that those participants who got jobs did so not because of the training, but because their private sector placement providers kept them on, or because the work-experience improved their wider employability. The fact, however, that the ET options which generated formal qualifications also appeared to improve employment outcomes suggest that (certified) training of the right type is also relevant, however.

The main message from these studies reviewed here is that there is a case for further examination of how training provision for the long-term unemployed can be better targeted (on specific client groups, and on specific skill needs), and how it can best be combined in practice with work experience.

Counselling, advice, job-search support and training etc.

Table 5 above reviews evaluation findings for measures which aim at providing the (long-term) unemployed with support in their search for jobs. This support, which may take the form of formal training in job-search techniques, or may involve more general advice and counselling, is generally delivered through the PES, and partly because of its relatively low cost per participant, in comparison to other active labour market measures, has grown in relative importance in recent years in a number of countries. This growth has occurred in parallel with three other important trends in measures for the long-term unemployed: notably

- C the trend towards individualised and tailor-made approaches;
- C growing interest in early action and early identification; and
- C (in some countries) growing levels of 'activation' and compulsion; with the counselling and advice sessions offered to the unemployed also serving a 'policing' function of checking on job-search activity, entitlement to registration etc.

This trend has also been reinforced by positive assessments of the role of these kinds of measures by academics and policy commentators. Thus, for example, most recently from the OECD:

'The intervention that appears to work best — at the lowest cost — is job-search assistance (sometimes combined with other labour market measures). The relative success of these programmes indicates a strong role for the PES, and the importance of the process used to help job-seekers find work' Fay (1996) p.23

Whilst it is easy to understand the political attractiveness of such relatively low cost measures, it is not clear that such strongly positive conclusions are justified by the evaluation evidence. The studies summarised in Table 5 above suggest that the impacts of such measures, to date, have been relatively modest. Employment effects have been almost universally small ⁴¹, and in some cases non-existent. Even where evaluation studies have

⁴¹ It is also notable that where major effects have been observed (e.g. the Swedish experiment in the 1970s — Delander 1978), this was in the case of a small scale experiment, and it is unclear whether the results would translate to a wider initiative.

identified a positive and significant effect, such as the Restart evaluation in the UK (White and Lakey, 1992, which is cited as a positive example in OECD and other reviews), there have been doubts about the nature and durability of the effect. Thus in the case of Restart, more recent analyses ⁴² have suggested that the longer-term effects may be much less (i.e. participants were more likely to enter a short-term job after Restart, but their longer-term chances of stable employment were essentially unaffected), and that part of the effect has been due to the ‘policing’ element of the Restart interview i.e. some of those leaving the register after Restart were influenced by the associated ‘threat’ of suspension of their unemployment benefits, and may also have left the register but remained out of work.

Modest results from job-search assistance and counselling initiatives taken on their own are not surprising. Many long-term unemployed may face a range of objective personal, social and economic disadvantages, including low education and basic skill levels, difficult housing and family circumstances, discrimination and prejudice from potential employers etc., and may be looking for work in a local labour market facing a chronic shortage of jobs. Their employment chances are unlikely to be radically transformed in a few short counselling interviews with a PES placement officer (themselves likely to be working under considerable pressure at times and places where jobs are scarce), or through a training scheme on how to write a CV, and present oneself to a potential employer.

The overall message from the evaluations, then, would seem to be that counselling and job-search assistance cannot be seen as a panacea for the re-integration of long-term unemployed, but may play a valuable role within the overall policy portfolio, and may make a difference, at the margin, on the job-finding chances of a minority. That potential is likely to be greater, the more such job-search assistance and counselling forms part of an individualised or ‘tailor-made’ approach to support for the unemployed. The apparent success recorded by the evaluation study of the Austrian Soziale Kursmaßnahme ⁴³ in improving the employment and income chances of multiply-disadvantaged job-seekers at least partly rests on the individualization of support being offered, with advice leading to a range of potential interventions, including vocational training, job-search assistance, ‘motivation’ courses, social support, according to the assessed needs of the job-seeker. Clearly, the more such support is ‘tailor-made’ and intensive, rather than consisting, for example, of a short standardised interview with a PES officer every three or six months, the more costly it is likely to be. To this extent, some of the apparent cost advantages of these kinds of measure may be illusory.

Subsidised short-term placements with employers

Schemes enabling employers to offer short-term work placements to long-term unemployed people, at no commitment and little or no cost, exist in several countries, but have not been extensively evaluated. One rigorous evaluation of the Swedish Job introduction projects (Ackum Agell, 1995) came up with very negative results, however, although as we have already seen, where such placements have been part of a package with training measures, outcomes have been more positive (and some cases a work placement element seems to be the element which increases the overall impact of the training measure itself).

Fuller assessment must, therefore, await evaluation evidence from the various schemes

⁴² Dolton and O’Neill 1996 and 1996a.

⁴³ Biffl *et al.* (1996).

in place. Given, however, the increasing evidence of the need for measures to be responsive to the needs of employers, such schemes are likely to play an increasing role in policy development. This view is reinforced by the overwhelming importance apparently attached by employers to job applicants' possession of relevant recent work experience, and the evidence that employers' perceptions of the long-term unemployed are positively influenced by direct contact with them through participation in subsidy or training/work placement schemes (see our discussion of employer attitudes above).

Subsidies to individuals

Whilst there is a large number of provisions in most countries aimed at defraying the costs faced by unemployed people in finding and taking-up employment (travel costs, interview costs, relocation costs etc.), these tend to be either small in scale, or to form part of the overall institutional infrastructure of support for the unemployed (rather than being identified as specific active measures), and there are virtually no examples of evaluations of their effectiveness.⁴⁴ They are, moreover, inherently difficult to evaluate in a comparable fashion to some other schemes, since, by definition, the subsidy is usually paid not to all individuals in the target group, but only to those actively being interviewed for jobs, or in some cases only to those who have obtained or are close to obtaining a job. Their cost per job placement may, therefore, appear to be relatively low, in comparison, for example, with the cost per placement of a training scheme, only a small proportion of whose participants actually enter employment, but the comparison is not undertaken on a like for like basis, and deadweight is, in any case, likely to be high.

Of perhaps more interest, however, is the growing range of initiatives which address the problems associated with the 'benefit trap', or the disincentives faced by the unemployed in taking up (particularly low-paid or part-time) work. Such initiatives, which offer a short-term subsidy (or the possibility of continuing to receive benefit for a short period) to the unemployed taking up work, have not generated a large evaluation literature, although several countries have evaluations ongoing of 'in-work benefit' and related schemes. A study of the Jobstart subsidy scheme was conducted in the UK, however. This scheme offered a subsidy to long-term unemployed taking low-paid, full-time jobs; and the evaluation indicated substantial deadweight, although this was concentrated amongst those who had previously been on relatively low benefit levels (and for whom the benefit trap was, therefore, less severe), suggesting that a more precisely targeted subsidy, or one that was tapered or means-tested might have led to more positive results⁴⁵ (further information on effectiveness of UK in-work benefit initiatives is summarised in Meager, 1997).

Self-employment schemes

Schemes which subsidise the unemployed to enter self-employment or to start their own businesses have been extensively evaluated in many countries.⁴⁶ Most of these schemes are not targeted specifically at the long-term unemployed, and the following key features

⁴⁴ An evaluation of the 'Travel to interview scheme' in the UK by Atkinson and Hillage (1991), showed a small positive impact on participants.

⁴⁵ A UK scheme for 'earnings top-up', a new in-work benefit for single people or couples without children (in work benefits already exist for low paid workers with dependent children) is being piloted for three years from October 1996 in a range of local labour markets, and a rigorous evaluation will be conducted.

⁴⁶ See Meager (1993) and (1996) for summaries of these evaluations.

emerge from the evaluations:

- C the most disadvantaged groups among the unemployed are significantly under-represented among participants;
- C deadweight is high, and whilst it can be reduced by targeting on more disadvantaged groups, this in turn reduces the employment impact of the schemes, because the enterprises of 'low deadweight' participants have lower survival rates;
- C subsidised businesses are concentrated in low-margin service sector activities where earnings are low, survival prospects poor, and the risk of displacing other businesses is high. There is some evidence, however, that this can be influenced by the mode of payment of the subsidy; payment as a one-off grant to cover initial capital costs, may be more effective in supporting viable businesses than payment of the subsidy as a regular allowance over time.

It would appear that the relative importance of such measures (which peaked in the late 1980s), as part of the active labour market portfolio has declined, and many of the larger schemes (such as that in the UK) have reduced considerably in size.⁴⁷ Given their relatively low cost (the subsidy is normally related to benefit levels, and scheme evaluations suggest that despite high deadweight the cost per job created is low in comparison with many other labour market measures⁴⁸), they are likely to remain as one strand of active labour market policy, but their potential for contributing to the reintegration of the long-term unemployed would appear to be small.

Measures incorporating elements of 'activation'

Increasing 'activation' of the unemployed (e.g. through making participation in measures compulsory, or making benefits conditional on participation, or on evidence of job-search) is a growing component of policy towards the unemployed in many countries, a trend supported by a similar emphasis in policy pronouncements from OECD and the European Commission.

This trend is reflected in practice in a growing element of 'compulsion' appearing across the range of labour market interventions, and it is not generally possible to point to evaluation evidence which focuses on the activation element per se, although evaluations of other measures (such as the UK Restart scheme quoted above) yield some incidental evidence that this element may be affecting the impact of those measures. Initial monitoring results from the UK 'Project Work' (workfare) pilots suggests, moreover, that the compulsion element appears to be having an impact on the unemployment register, but the effectiveness of the pilots in terms of job placement rates is low.

In the absence of wider evaluation evidence, therefore, and without reviewing the huge academic literature on the theory of unemployment, job-search and the role of benefits, we would simply raise the following points which emerge from a wider consideration of

⁴⁷ There has been an expansion of such programmes in Germany, particularly as part of the strategy to combat unemployment and encourage new enterprises in East Germany.

⁴⁸ See Storey (1994) pp 277-286.

existing research⁴⁹ on the motivation and behaviour of job-seekers and employers:

- C despite the large theoretical literature, empirical evidence on the relationship between unemployment levels on the one hand and benefit/income replacement ratios on the other, is limited and inconclusive (see Atkinson and Micklewright, 1991); although OECD 1994 present evidence of a longer-term relationship across countries;⁵⁰
- C duration of benefit payment appears to be of more significance than its level (Atkinson and Micklewright, 1991; Layard et al. 1991), although even here the evidence is mixed, and heavily influenced by the USA experience;
- C there is an emerging consensus in the economic literature (Layard et al. 1991, Jackman 1995) that administration of the benefit regime itself can have an important impact (in terms of the eligibility requirements, disqualification rules etc.); and that stricter benefit regimes lead to lower levels of aggregate unemployment. How large such effects are is unclear, however, as is the extent to which they result from more effective job search and job entry, rather than being due to people dropping out of the labour market altogether;
- C evidence from sociological studies of the unemployed, however, is not wholly consistent with the macro-economic evidence, and shows little or no evidence of the job-search intensity of the unemployed being significantly influenced by the benefits system (Gallie and Vogler, 1994; Benoit-Guilbot, 1994).

Although the evidence remains ambiguous on this important policy question, there is, it would seem, increasing acceptance of the case for stricter administration of the benefits regime, in the context of generous unemployment compensation (to be paid possibly for a relatively short duration). Distributional and equity considerations limit the extent to which such a strategy can be extended in most European countries, particularly since those unemployed who fail to find a job during the benefit period, simply transfer to another form of social security or income support. Thus ‘activation’ which consists of reducing the period of unemployment benefit, and increasing the strictness of eligibility criteria, may simply result in a growing proportion of the unemployed dependent on other passive social benefit payments, which further distance them from the labour market.

What is unclear, moreover, is how far such arguments justify ‘workfare’ type models, which compel benefit recipients who have not found work after a certain period to participate in active measures.⁵¹ As already noted, there is considerable controversy over the extent to which Sweden, for example, achieved low unemployment for so long, because of this kind of model, or whether other crucial aspects of macro-economic policy and industrial relations institutions were equally or more important. The results of evaluations from Swedish (and Danish) measures are mixed, and do not allow us to distinguish the

⁴⁹ Much of which has been extensively summarised in Atkinson and Micklewright (1991).

⁵⁰ For a systematic review of the relationships between unemployment compensation systems and labour market transitions, see Schmid and Reissert 1996.

⁵¹ Such an approach is currently being piloted in the UK, in the form of the Project Work Pilots.

effects of ‘activation’ from other aspects of the measure. Further, it might be argued, that if effective re-integrative measures for the unemployed could be designed, the question of compulsion would be irrelevant; there is no evidence that unemployed people do not wish to work (all the surveys suggest the contrary). Any reluctance on the part of the unemployed to participate in schemes is as likely to reflect their scepticism about effectiveness of those measures and a concern about stigmatization. Indeed, the negative signals given by unemployed people who participate in schemes simply in order to qualify for benefit, rather than because they are motivated to find a job, may simply further disadvantage them as potential employees in the eyes of employers.

Target-oriented evaluations

Our review has identified a small number of evaluation studies (summarised in Table 9) which contain a comparative, target-oriented element, and which go beyond the purely programme-oriented approaches of the evaluations described in Tables 1-8.

O’Connell and McGinnity (1997) use a control group, quasi-experimental approach, taking a large cohort sample of young people in Ireland,⁵² and a rigorous methodology (controlling for selection bias), enabling them to test for the relative impact of a large number of active measures on placement probabilities, job duration and earnings. Their analysis also develops a useful typology of measures, building on the traditional demand-side/supply-side distinction used in the present paper, to incorporate the notion of the degree of ‘market-orientation’ of different measures. Thus, for example, on the supply-side, training programmes involving private sector placements with a high level of on-the-job training are seen as having ‘strong’ market-orientation, whilst purely classroom-based schemes distanced from a real work context, have ‘weak’ market-orientation. Similarly, on the demand side, traditional direct job-creation measures of a ‘make work’ type are weakly market-oriented, whilst indirect measures which create or subsidise jobs in the private sector are strongly market-oriented.⁵³ Of particular interest from this work, is that many of the tentative conclusions reached in the present paper on the basis of comparing programme-oriented evaluations (and other literature) across countries and over time, appear (in the Irish context at least) to receive more robust statistical support from the target-oriented evaluation of O’Connell and McGinnity. In particular, programmes with stronger ‘market-orientation’ lead to higher placement rates, longer job durations and higher earnings, than schemes with weak market-linkages.

O’Connell and McGinnity’s results also point towards the need for greater targeting on the most disadvantaged groups (to avoid ‘creaming’ and ‘high deadweight’); and the authors stress that the results do not militate against schemes with weak market linkages, but suggest they should be appropriately targeted on those who need them, and be better integrated with, or lead to progression to schemes with a clearer market orientation:

‘These findings should not, however, be interpreted to suggest that programmes with weak market linkages are of no value and should be discontinued. For many of the disadvantaged unemployed, their educational qualifications or skills may be so inadequate that participation in general or foundation level training, or in temporary work experience, offers the only hope of eventual re-integration into the

⁵² Their study does not, however, focus purely on youth measures.

⁵³ Under this typology, the intermediate labour market initiatives discussed in the present paper, would presumably fall at an intermediate point along this spectrum.

labour market. The findings do suggest, however, that general training or direct employment schemes are of themselves unlikely to significantly improve the job prospects of participants unless they are followed by progression to more advanced schemes which have better linkages with the open labour market. This suggests the need for re-integration paths designed to allow the long-term unemployed and socially excluded to progress through a series of programmes tailored to their particular needs with the ultimate objective of securing sustainable employment. (O'Connell and McGinnity (1997), pp. 140-141)

White et al. (1997) employ a similar methodology, using a sample of unemployed people in the UK, to compare the effectiveness of three approaches adopted by the PES to re-integrate the long-term unemployed. The measures are: Work Trials (a subsidised work placement scheme for the long-term unemployed enabling them to take a trial period with an employer without losing benefit, and without commitment from the employer); Jobclubs (a system in place since the mid-1980s, providing job-search training and support to the unemployed); and the Job Interview Guarantee scheme (a matching and screening initiative in which employers guarantee interviews to long-term unemployed applicants, in response to an offer from the PES of screening and guarantee of 'job readiness'). The results show strong and statistically significant employment impacts from all three schemes, compared with a control group (again selection bias was systematically controlled for), but that Work Trials has significantly larger positive effects than the other two approaches. This result is consistent with the conclusions from employer surveys in the UK (see Atkinson et al.) suggesting that employer attitudes towards the long-term unemployed can be mitigated by bringing them together with the unemployed (a qualitative study of Work Trial participants — Atkinson et al. 1997 — reinforces this picture). Consistent with the Irish results, however, it is clear that Work Trials have a strong 'market orientation' and that even where participants are not employed by the participating employer, the experience stands them in good stead as a signal of 'employability'.

The study of active labour market policy initiatives in the new German Länder (Hübler, 1997), adopts a similar methodology with matched sampling methods, based on the East German, 'Labour Market Monitor' data, controlling for selection bias, and enabling the examination of a wide range of active labour market policy instruments. Again the results are broadly in line with conclusions drawn in the present paper on the basis of the international evidence, but given added force by the rigour of the methodology adopted. In particular it would seem that vocational training provision sponsored by, and taking place within firms (highly 'market-oriented' in the terminology of O'Connell and McGinnity, 1997), has a significantly greater employment effect than any of the other active measures examined. Short-time working schemes and traditional job-creation (ABM) measures appear not to have a significant positive effect on subsequent employment chances (in some cases the effects are negative), whilst public sector training and re-training (Fortbildung und Umschulung) measures under the Employment Promotion Act (AFG) have mixed results, initially leading to lower employment probabilities, but with the effect turning positive over a longer time period (the positive impact is clearer for women than for men). The specific features of post-unification East Germany suggest caution in generalising from these results, and Hübler, 1997, points out that the results do not imply that the traditional, less market-oriented measures were ineffective from a longer-term perspective of maintaining human capital, and in the light of the social benefits attached to such measures during this extreme period of

labour market transition.

4. Policy conclusions: what works?

Here, we aim not to summarise the previous chapters, but to draw on the discussions in those chapters, in order to highlight:

- C general conclusions from the evaluation literature, and their implications both for policy development, and for future policy evaluations, especially for target-oriented evaluation research;
- C areas where knowledge is weak, and where more/new work is required;
- C (tentative) conclusions for policy-makers emerging from our review of existing experience, and the evaluation literature.

As far as our original core question is concerned — which specific measures work better than others, and under which circumstances? — the overall conclusions are indeterminate. Despite the large number of evaluations undertaken (some 100 of which are summarised in the tables above), methodological differences and data deficiencies, alongside different institutional and macro-economic contexts, make for considerable difficulty in coming to firm conclusions about policy effectiveness. It is difficult to disagree with the conclusions of Björklund, referring to Swedish evaluations:

‘... the results obtained are too uncertain to allow firm policy conclusions’ (Björklund, 1991, p. 90).

Increasingly, moreover, in looking at the longer-term effects or wider impact of such measures, one may observe a scepticism emerging in the literature regarding the impact of active labour market policies as they affect the long-term unemployed, in particular. Lange and Shackleton (1994) point out, for example, that policy evaluations have generally paid little regard to the question of whether jobs created/gained by active labour market policy are stable sustainable jobs, or whether the long-term unemployed quickly return to the register after passing through the scheme in question.⁵⁴

In the previous chapter we looked at evidence on the effectiveness of particular types of active measures considered individually, as well as some limited comparative evidence from more target-oriented evaluations. In this chapter we turn to more general issues, and the following points stand out, many of which confirm and reinforce the conclusions reached in previous comparative reviews of active labour market policy, such as those of Fay (1996), OECD (1992 and 1993) and Björklund (1991)

4.1 Market-orientation and the role of employers

A new consensus appears to be emerging in the literature that market-orientation is important in the design of programmes. Programmes closely linked to the regular labour market and economy, and which involve jobs, training initiatives or work placements in regular workplaces, appear to have greater effectiveness in improving the employability of

⁵⁴ An exception is Dolton and O’Neill (1996) who look at job stability, in the context of the UK ‘Restart programme’, with somewhat pessimistic results.

disadvantaged groups such as the long-term unemployed.

Future evaluations of a target-oriented nature need, we argue, further to explore how such market-oriented schemes achieve their apparent success. Important in this exploration will be a better understanding of employer behaviour and practice, and how employer involvement affects policy impact. We have argued that the limited existing research suggests that the role of employers is critical in determining both the job-finding chances of the long-term unemployed, and the impact of specific labour market measures. Despite this, more research is required, and it would seem, to date, that employer behaviour has been under-represented in evaluations, as well as in the debates on policy design and implementation. Evaluations have been based on, and policy design informed by, evidence on the experience, motivations and characteristics of the unemployed themselves, and of participants in labour market measures. Further evidence on employer behaviour is required, but (tentative) conclusions from existing research suggest that:

- C employers, faced with a surplus of candidates for job vacancies, may use applicants' duration of unemployment as a 'cheap hiring screen' i.e. it is used as an easily identifiable proxy for other, hard-to-observe characteristics affecting suitability for employment, such as motivation and productivity;
- C employers' views on the 'suitability' or otherwise of long-term unemployed candidates are influenced by their perception that the experience of unemployment itself damages work attitudes and skills; rather than by a view that such candidates are inherently 'employable' or less desirable as employees. If true, this provides support to targeted early action approaches to policy intervention, triggered by increasing duration of unemployment, rather than devoting resources to the development of elaborate statistical models aimed at identifying the characteristics of 'at risk' groups among the population at large;
- C there is considerable potential benefit in market-oriented initiatives which attempt to influence not only the attitudes and motivation of job-seekers, but also the attitudes and perceptions (prejudices) of employers towards the (long-term) unemployed and other disadvantaged groups;
- C employers' views can be influenced (in a positive direction) by direct experience of the long-term unemployed. This provides support to interventions which provide opportunities (through work placements or subsidies which enable employers to 'try out' the long-term unemployed, at little or no initial cost or commitment), and for attempts to widen the network of contacts of the PES to include employers who do not normally recruit from the long-term unemployed, or use public placement services; the positive evaluations of the 'Work Trials' initiatives in the UK are consistent with this argument;
- C employers are more impressed, when considering unemployed applicants for jobs, by evidence of recent 'real' work experience and in occupationally relevant qualifications; than they are by participation in 'make work' job-creation schemes or general labour market training schemes for the unemployed (the possibility also needs to be considered, that compulsory participation for the unemployed in such measures may

further add to the negative ‘stigma’ in the eyes of employers). Again this supports policy measures which give priority to work experience (preferably within enterprises), and targeted training; ideally, both elements would be combined in an integrated package.

4.2 Re-integration or prevention?

We have seen a growing emphasis on, and interest in strategies oriented towards prevention of long-term unemployment, although re-integrative strategies still dominate most policy effort in this area.

Several key questions remain unanswered from the evaluation studies examined, however:

- C what should the appropriate balance between re-integration and prevention be? and
- C to what extent should resources be shifted from the former to the latter?

Specifically, more work is required on:

- C the relative importance of ‘heterogeneity’ (individual differences) and ‘state dependence’ (the duration of unemployment itself) in influencing individuals’ job-finding chances; there is growing evidence that heterogeneity is more important than was previously thought, apparently justifying a search for effective methods of ‘early identification’, but the evidence remains inconclusive;
- C the crucial role of employer attitudes and practices with regard to the recruitment of the long-term unemployed in influencing the effectiveness of policy measures;
- C whether robust early identification methods can be constructed. Initial evidence from some countries suggests that the chances of developing effective models for identifying ‘at risk’ groups on the basis of easily-identifiable characteristics, are low. More evidence is, however, required;
- C the optimal timing of policy interventions. If robust early identification of at risk groups remains hard to achieve, how should ‘duration thresholds’ for interventions be set, given the trade-off between deadweight from very early intervention, and the lower effectiveness of late intervention? There is little hard evidence regarding the points at which interventions of different types and intensities should be introduced, to maximise cost-effectiveness. The empirical justification for the particular administrative duration thresholds found in many countries remains unclear.

4.3 Job-search assistance and other supply-side measures

We have reported an increasing emphasis on supply-side measures, and within the supply-side a shift from relatively high-cost training measures, to lower cost, advice, guidance and counselling measures. It is appropriate to ask, therefore, to what extent have the counselling measures justified the expectations placed on them?

In some countries some of the claimed positive effects of counselling interventions from the PES, appear at least partly to be the result of the fact that the counselling and advice sessions offered to the long-term unemployed also serve a ‘policing’ function of checking on job-search activity, entitlement to registration etc. There is a risk, moreover, that in such circumstances, apparently positive ‘register effects’ may reflect withdrawal from the labour market (or from registration), or placement into unsuitable short-term employment, and that the wider or longer-term impact may, as a result, be less clear.

More work is required here to understand:

- C how much of any impact is due to counselling and job-search support per se, and how much to aspects of ‘compulsion’ associated with it;
- C whether the linkage between counselling and compulsion is in fact productive, and whether the threat of the latter is likely to impair individuals’ responses to the former;
- C whether the (typically small) positive effects observed from evaluations of counselling interventions are generally sustained in the long-term;
- C what is the optimal timing of counselling interventions — how early in the unemployment spell should they begin (should they even pre-date unemployment itself?) — see also the discussion of early action and prevention in previous sections;
- C what are the relative success rates of more standardised (and low cost) counselling interventions (e.g. interviews with PES officers, triggered by duration thresholds), compared with more flexible, intensive and individually-tailored (and therefore, more expensive, per capita) approaches to counselling the unemployed?

4.4 Greater targeting

The general conclusions emerging from many of the micro-level evaluation studies of a wide range of different types of measures have been well-summarised by Björklund (1991), who emphasises the case for targeting such measures on the most disadvantaged groups:

‘... employment and training programmes have had their greatest impact and largest social returns for those who have had the least previous labour market experience and are most disadvantaged. Most evaluations found that programmes work better for women than for men, for those less educated and poorer than for those better educated and with higher income. For seriously disadvantaged males, there is little evidence pointing to any particular employment and training policy as effective’ Björklund (1991), p.59

The evidence would, then, appear to provide strong support for the growing trend towards the greater targeting of measures (this conclusion appears to apply to all of the major types of scheme). This may involve:

- C greater targeting on specific groups in the population; in particular the most disadvantaged groups; there is pervasive evidence that some of the traditional labour market measures (notably subsidies, and job-creation schemes) are effective only when targeted on the most disadvantaged — e.g. the very long-term unemployed;

- C greater targeting on the needs of employers, and the local economy — there is some evidence, for example, that training measures work best not only when they are targeted on, and customised to specific groups, but also when the training offered is specifically targeted to current or anticipated local labour market requirements and skills (ideally with relevant certification);
- C a recognition that long-term unemployment, whilst a pervasive symptom of social exclusion, does not uniquely define it, and that there is a need to recognise the heterogeneity of the unemployed, and to focus measures not simply according to the duration of unemployment, but according to the underlying factors contributing to the disadvantage. The latter may relate to age, gender, ethnicity, basic skill levels, location of residence, mental and physical health, housing and family circumstances etc. Greater targeting according to these kinds of criteria is, moreover, consistent with a greater emphasis on prevention through early identification and early action for ‘at risk’ groups.

4.5 Scale of initiatives

A further key issue which is highlighted by a broad overview of the evaluation studies is the related one of the scale of schemes. Many of the measures which appear to have, proportionately, the biggest impact, are not only targeted, but also small in scale. There are considerable doubts that one can generally expect to retain the benefits of a successful small scale measure, if it is expanded significantly, or indeed (in some cases) if it is extended over a significant time period (see, for example, Grubb (1994) for a discussion of this issue).

This discussion also reinforces the arguments made by Schmid et al. (1996) in their discussion of target-oriented approaches to evaluation, namely their stress on the need to take account of the institutional context of a measure, and the critical role played by the delivery agents of the scheme. A measure which may be judged as having a high level of effectiveness in terms of its policy target (placing the long-term unemployed), when evaluated in the form of a pilot, or in the early stages of implementation, may have very different outcomes when extended to become a major part of the policy infrastructure in a given country, or once the key players (delivery agents, employers and others) have adjusted to the measure’s existence and the incentive structures it sets up.

Along with greater targeting, therefore, there is also growing recognition and evidence that the scale of schemes may be critical to their performance and outcomes. Small scale and local embeddedness, as we have noted, are often seen as critical success factors for many of the intermediate labour market initiatives, for example. Scale may be relevant to labour market measures more widely, however, because of:

- C diseconomies of scale — which may relate to factors including ‘saturation’ of the target client group (leading to growing deadweight); or growing risk of displacement of market activity;
- C effects of ‘stigmatization’, as participation in large scale, long-standing schemes gives negative signals to employers on the labour market, and further contributes to the social exclusion of the target groups;

Equally, there are likely to be some positive economies of scale and duration, which relate inter alia to administrative efficiency and the development of effective routines by scheme administrators.

More work is required, therefore, in assessing the optimal scale of interventions of different types, and evaluations (especially of pilot measures) should consider not only scheme impact, but also the likely effects on scheme performance of expansion or transfer of the scheme to a wider area or target group.

4.6 Integration and packages of measures

Whilst the evaluation evidence is often pessimistic with regard to the performance of a wide range of different types of ‘classical’ policy measures (job creation schemes, subsidies, training schemes, counselling interventions etc.), there is strong evidence that the combination of measures into integrated packages is often more effective (see the useful discussion of this issue in O’Connell and McGinnity (1997), for example). Such integration may occur contemporaneously or sequentially.

Contemporaneous integration is where schemes combine elements from different types of provision — there is evidence, for example, that job-creation schemes and subsidies may be more effective where they are combined with (relevant) training provision or with support to deal with related social and family problems and/or remedial basic education (literacy, numeracy etc.); and similarly that training provision is likely to be more effective when it is combined with (relevant and realistic) work experience. Some of the ‘intermediate labour market’ initiatives (for example, the ‘ABS companies’ in Germany), go further than this, integrating not only training and work experience, but also the promotion of self-employment and new enterprises, through providing an initially-sheltered enterprise from which (some) participants can be supported over time to generate new, economically-viable businesses and self-employed activities.

Sequential integration: whilst there is less evidence on this, there are indications that sequential integration ‘pathways’ may be more effective than ‘stand-alone’ measures (particularly where they are customised to the needs of the individual, and of the local economy in which he/she finds themselves). De Koning (1995), argues strongly for such approaches in his discussion of the Dutch experience of active measures for the long-term unemployed, and he also raises what would appear to be an essential pre-condition for the development of integration pathways, namely a multi-agency approach, based on effective partnership, particularly at the local level. Such partnerships increasingly exist in some countries, and they are often an integral part of the various ‘intermediate labour market’ projects discussed above, and in some cases are an intended by-product of the decentralization of aspects of labour market policy to the local level — e.g. the Local Employment Service in Ireland, the TECs in the UK. More research is required, however, to understand the preconditions for such partnerships, and how to overcome the difficulties posed by different objectives and performance targets which different parties bring to the partnership.

More generally, there is a need for more work and evaluation research which, instead of looking at the effectiveness of single measures (training, job-creation, subsidies etc.), evaluates different packages and combinations of measures (both contemporaneously and sequentially), as well as research to evaluate the effectiveness in active measures of different types of institutional configurations, and partnerships of delivery agents.

4.7 Activation

Despite the growing trend towards ‘activation’ of the unemployed, through shortening periods of unconditional benefit payment, strengthening eligibility and job-search criteria, or making the payment of benefit conditional on participation in labour market measures, there is little or no conclusive evidence on the impact of this trend.

In part this reflects the fact that these developments are incorporated within existing systems or measures, and it is not generally possible to separate the impact of the element of activation or compulsion, from that of other factors. In part it also reflects the fact that there are, to our knowledge, no within-country evaluations of a ‘post-activation’ regime in comparison with the ‘pre-activation’ regime. Most of the academic discussion of these issues remains largely theoretical, and such evidence as exists tends to be ambiguous and reliant on comparisons between countries which incorporate greater or lesser degrees of ‘activation’ in their policy framework. In such comparisons, it is very difficult to make allowance for different social, institutional and political contexts — it remains unclear, for example, how much of the previous success and political acceptance of a regime incorporating a high degree of compulsion in Scandinavian countries (notably Sweden), depended also on specific macro-economic policies, a specific system of industrial relations, and a political climate in which notions of social equity and reciprocity of obligation were dominant. Such factors might be less than transferable to other countries, and less applicable to current conditions. Whilst such observations are familiar and obvious ones, they are worth emphasising because they are commonly under-represented in policy discussions about the need for a greater degree of activation or compulsion in labour market policy.

Our interpretation of the existing evidence suggests that there is little compelling evidence that the level of benefit payments per se is a critical factor in reducing long-term unemployment. The evidence that the duration of benefits may be relevant seems stronger, and this may partly justify the perspective that an optimal regime consists of relatively ‘generous’ payments for a relatively short period of job search, coupled with active ‘policing’ of the extent of job-search activity, and followed by the subsequent provision of a range of individualised active measures for those unable to secure employment during the benefit period.

The issue of activation at this subsequent stage (i.e. compulsory participation in labour market measures) is a separate one, and we have also been unable to identify convincing evidence (other than that which suffers from the difficulties of inter-country comparisons discussed above), that compulsory participation would greatly improve the performance of active measures. Further evidence (e.g. from rigorous within-country evaluations of experimentation in this direction⁵⁵) is urgently required, in our view.

The case for this compulsory element needs to show that the unemployed who choose not to participate in a voluntary regime, do so for reasons associated with lack of, or inappropriate motivation, or because they are ‘abusing’ the benefit system in one way — existing survey evidence suggests that this may be unlikely on a major scale, and that non-participation may equally reflect (justifiable) scepticism about whether such schemes will, in a slack labour market, improve job-finding chances. Further, the possibility of ‘compulsion’ leading to greater disadvantage of the unemployed due to the attitudes of potential employers needs to be examined — how far does the awareness that unemployed people who

⁵⁵ The current Project Work pilots in the UK might be an appropriate example.

participate in a scheme may do so simply to secure their entitlement to benefit, rather than through positive job-search motivation, further stigmatise them in the eyes of employers? ⁵⁶

4.8 Local, community and intermediate labour market initiatives

Dramatic claims have been made in the literature about the potential of small-scale, community-based intermediate labour market initiatives to contribute to tackling social exclusion and long-term unemployment, through a range of related impacts:

- C direct job-creation for disadvantaged participants, in a work environment which is close to 'real work' and avoids the 'stigma' and negative labelling associated with traditional government schemes;
- C effective support for the transition between exclusion and benefit dependency on the one hand, and market work on the other;
- C wider community development and economic regeneration effects in deprived localities;

It is also claimed that such schemes can be cost-effective methods of re-integrating the long-term unemployed (compared with traditional training and job-creation measures, for example). Whilst some promising evidence exists, it has to be said that, with few exceptions, there is a dearth of rigorous evaluation evidence on the performance and cost-effectiveness of such schemes, and a need for further work drawing together evaluation findings and 'best practice' from existing schemes and pilot exercises of this type. Such evaluation should include:

- C control-group comparisons of post-scheme success rates, including longer-term impacts;
- C estimates of deadweight, substitution and displacement — a priori, given the focus on the most disadvantaged groups, issues of deadweight and substitution may not be critical, but as with traditional job-creation schemes the issue of displacement needs to be addressed. The closer such schemes come to offering 'real' work at a 'real' wage, providing useful products and services, the harder it may be to ensure that such products and services do not displace market provision;
- C examination of the extent to which participants from intermediate labour market schemes are viewed differently (and more positively) by potential employers than their counterparts in unemployment or participating in more traditional measures;
- C further consideration of the extent to which the effectiveness of such measures depends on their local and small scale nature, and how far this would militate against wider expansion of such schemes;

⁵⁶ Arguably at least, the Scandinavian experience, with the development of a group of long-term unemployed who move repeatedly between open unemployment and active measures (with the latter being primarily a benefit requirement), is consistent with this view.

- C more rigorous examination of which features of the ‘intermediate labour market package’ are most important in securing an impact (is it the community involvement and partnership; the ‘real’ nature of the work experience and wage paid; the small scale of the schemes; or is it the combination of all of these?).

4.9 Improvements to monitoring and evaluation

Whilst the methodologies and data requirements of effective evaluation are well-known (and discussed in some detail in the present paper), too many assessments of measures are conducted on the basis of descriptive monitoring exercises which do not enable full or reliable assessments of impact and effectiveness to be conducted.

A greater role should be played not only by more rigorous evaluation of net impacts rather than gross impacts or short-term placement rates, but also through the examination of the impact of the administration, management, and institutional context of scheme delivery, including the role of local actors who may be critical in determining outcomes in practice.

Staying firstly within the framework of traditional programme-oriented evaluation, our review of such evaluation studies reinforces the main conclusions reached by Fay in his review of scheme evaluations in OECD countries (Fay 1996, pp 32-33), namely:

- C that evaluation periods should be extended (to pick up the longer-term impact of schemes);
- C that evaluations should be made compulsory in the design phase of measures, and not simply be an ex post consideration;
- C that there should be a greater use of independent (non-governmental) actors in conducting research and evaluation;
- C that a wider range and larger number of regular evaluations would, by providing a larger and more reliable body of knowledge on the general conclusions relating to measures of different types and their effectiveness, help to overcome problems of timeliness in evaluations, where the political process often requires rapid decision-making; and
- C that evaluations should be made more rigorous.

Moving beyond programme-oriented evaluation towards the ideal of target-oriented evaluation requires, we would argue, requires in addition a number of further steps.

Inter-measure comparisons

Active labour market policy evaluation needs to move beyond the scheme-by-scheme evaluation of individual measures, and to undertake studies which both allow for rigorous comparison of the policy impacts on the target group, and for the inclusion of wider factors (including institutional factors, the role of delivery agents etc.) which may influence policy impact. We have drawn attention in this review to a small number of studies, within individual countries which move in this direction. Where cost or data deficiencies do not allow such approaches, there is, nevertheless some value in comparative reviews, undertaken within a common framework, of existing evaluation studies, supplemented where possible

with standardised information on financing and costs, from administrative sources (we have referred to one such study from the UK — Gardiner, 1997 — in the present review).

In any case, for international comparisons, where a common population data set for control group analysis is unlikely to be available, and where institutional differences are likely to be too great to render such analysis meaningful, target-oriented evaluation must inevitably rely on descriptive reviews such as the present paper or the work of Fay (1996). Even in this case, however, there is considerable progress which could be made in developing better international comparisons. A major weakness of the present paper, and the work of Fay (1996), for example, is that they have simply amassed the findings from as many ALMP evaluations relating to the target group as possible; and there has been little systematic attempt to develop a typology of national policy regimes which would enable us to make more meaningful comparisons.

Thus, for example, comparisons of different measures between selected countries with otherwise similar institutional environments, labour market regulation and conditions; or comparisons of similar measures between selected countries with different institutional and policy regimes etc., would assist in disentangling the distinct contribution made by active measures, from the wider political and institutional framework, and help in identifying those elements of apparently ‘successful’ measures which might be transferable to other national contexts. In principle, the rapidly changing labour market environment of the ‘transition economies’ may provide a useful test bed for this kind of analysis — thus for example, the recent studies of Terrell et al. (1996 a,b) of active and passive labour market policies in the Czech and Slovak Republics, are of particular interest, given the common institutional heritage of these two countries, and the rapid divergence in their labour market experiences since their separation in 1993.

Greater clarification of policy objectives

One of the difficulties in taking a target-oriented approach, and in making comparisons between different measures and their impact on the target group, is that in many of the evaluation studies examined (and indeed in much of the policy literature), there are different perspectives taken about what are the underlying policy objectives of the measures in question. Our examination of these issues suggests a need, therefore, within a target-oriented approach, for a much clearer articulation of the rationale and purpose of policy measures targeted at the long-term unemployed. In undertaking evaluations, to compare and assess policy measures aimed at the target group, it needs to be made clear which of the following objectives, and with which relative weight are being used as a success criterion for the measures:

- C short-term employment or placement rates (‘register effect’);
- C longer-term job creation;
- C job redistribution/substitution (work-sharing and reduction in the average duration of unemployment);
- C skill and human capital acquisition;
- C attitudinal change (on individuals or employers);

- C impacts on earnings;
- C wider macro-economic objectives (on the inflation-unemployment trade-off, for example);
- C impacts on non-labour market objectives — health, welfare, housing, local economic development, crime etc.

Legitimising distributional and wider social objectives

Following from this, it is clear that many programme-oriented evaluations, with their focus on the limited short-term employment or wage effects of particular measures, not only fail to provide a basis for assessing such measures against possible alternatives, but also provide a poor basis for assessing wider impacts than these short-term employment/wage effects.

A key example here relates to distributional objectives. It is common to find conclusions of ‘ineffectiveness’ being drawn from evaluations because of high deadweight or substitution effects. From a wider perspective, it may, however, be seen as desirable as part of an overall strategy against social exclusion, to redistribute existing vacancies towards the long-term unemployed and the most disadvantaged. From this perspective, therefore, high levels of deadweight and substitution are not necessarily an indication of policy failure. More generally, there may be a case, given the limited apparent effectiveness of many existing measures in terms of net job creation, for policy-makers to acknowledge, on the one hand, the limitations of policy measures in reducing the overall level of (long-term) unemployment, which is as much to do with aggregate demand and underlying structural, technological and trade factors. On the other hand, there may also be a case for more explicit recognition that, within this context, redistribution can be as legitimate a policy objective as job-creation per se, as it has important social and equity benefits, as well as possible implications for the overall functioning of the macro-economy. Schmid et al. (1996), as quoted in section 1.2 above, have argued more generally for such a perspective in the context of target-oriented evaluations.

In addition, we would draw attention to the need for evaluations to take a wider perspective than the labour market or employment impacts of schemes.⁵⁷ It is clear that any measures which contribute to the re-integration of the long-term unemployed and other marginalised or socially excluded groups, even where that re-integration is of a temporary nature, may have wider impacts and reduce other social costs. These include the costs of poor health, family and social breakdown, crime, the development of the ‘black economy’. A key problem for many evaluation exercises, is not only that such impacts may not be immediately visible in the short-term, but also that their benefits may be felt in other areas of the public sector budget (e.g. social security, health, security, housing etc.). Any evaluation of the exchequer costs and benefits of labour market schemes needs to take account of these wider budgetary implications. In so far as there is a trend towards a ‘holistic’, multi-agency, or partnership approach towards the development of policy measures against social exclusion, the existing institutional barriers to the development of a greater

⁵⁷ Such wider objectives, including the regeneration of local communities, are frequently an integral part of the ‘intermediate labour market initiatives’ discussed earlier in this paper.

transparency in public expenditure in this field may diminish.

Longer-term impacts of policy measures

Further, particularly if we take this broader target-oriented approach, there is a clear case for more attention to be paid to the longer-term impacts of measures, both on the participants and on the wider economy and society. Inevitably, much of the existing evaluation literature focuses on short-term results, whether these be reflected in job-placement rates, reductions in the unemployment register etc. In practice, however, and this applies particularly to measures which focus on training and human capital acquisition, much of the impact is likely to occur only in the medium to long-term. Almost without exception, pessimistic conclusions about the effectiveness of such training measures have been made on the basis of evaluations which follow participants for at best a year or two after participation, and more often simply look at their immediate post-scheme destinations. In a global context of greater flux and more rapid and frequent transitions in the labour market, and the growing recognition of 'lifetime learning' to support such transitions, it can be argued that the effect of policy measures on longer-term (even lifetime) career trajectories is as important as their immediate short term impacts.

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