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Department for Work and Pensions

Working Paper No 59

Active labour market policies in international context: what works best? Lessons for the UK

Anne Daguerre with David Etherington

A report of research carried out by Middlesex University on behalf of the
Department for Work and Pensions

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First Published 2009.

ISBN 978 1 84712 494 4

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Contents

| | |
|---|----|
| Acknowledgements | v |
| The Authors..... | vi |
| Summary | 1 |
| 1 General introduction..... | 5 |
| 2 The UK in the international context..... | 9 |
| 3 What works best among OECD countries..... | 11 |
| 4 Conclusion | 21 |
| References | 23 |

Acknowledgements

A special thanks to Stefano Scarpetta, head of the Employment Division at the OECD.

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Summary

Common trends among OECD countries

Active Labour Market Policies (ALMPs) represent a key policy instrument to combat unemployment and economic inactivity. Despite significant cross-country variations, most member states within the Organisation for Economic Co-operation and Development (OECD) have now endorsed a Work First approach. Work First strategies refer to employability programmes which focus on quick re-entry in the labour market. The dominant philosophy is that claimants should not turn down employment offers since any job is preferable to economic inactivity or unemployment. This approach is based on a strict conditionality regime, with an emphasis on mutual obligations between the Public Employment Service (PES) and the benefit claimant.

While most countries continue to offer supportive services such as job search assistance and on-the-job training, welfare recipients are under increased pressure to comply with programme requirements. ALMPs explicitly aim to activate all people of working age in order to make the best use of the untapped labour force. To sum up, all countries now implement policies based on sticks (financial sanctions in case of non-compliance with programme requirements) and carrots (financial incentives to get back into paid employment and supportive services for hard to reach groups).

The UK in international perspective

The United Kingdom (UK) is clearly in the top league of countries to place increased pressure on benefit claimants. In recent years the UK Government has intensified its efforts to activate all people of working age, including people on inactive benefits such as incapacity benefits customers and lone parents. However, historically, lack of affordable childcare has remained one of the main barriers to female participation in the labour market, especially in contrast to countries such as France, Sweden and Denmark. Furthermore, the UK is also among the lowest spenders on ALMPs as a percentage of the Gross Domestic Product (GDP).

What works best among OECD countries

Evidence on what works points to four key findings:

- there is a need for activation programmes providing personalised support and early intervention for those in most need;
- adequate staff/client ratios are crucial for effective activation programme performance;
- specific effort must be devoted to support harder to help customers with care to prevent drop-out;
- subsidised work placements combined with on the job training and other appropriate measures achieve sustainable employment outcomes.

First, personalised assistance with job search and stricter conditionality regimes tend to be more cost-effective. Here the aim is to increase the client's compliance with programme requirements while at the same time boosting their self-esteem and their capacity to make themselves attractive to prospective employers. Such programmes typically include a personal action plan with a set of agreed objectives for the Employment Service and the customer. Australia, some states in the United States (US) and the Netherlands have adopted a strict disciplinary approach, with a renewed emphasis on the obligations of the individual client as opposed to the obligations of PES. Both the Netherlands (under the obligation to Learn and Work Initiative for youth) and Australia (under the Job Capacity Assessment for people with disabilities) have considerably strengthened the obligations of hard to reach groups in terms of compliance with programme requirements. Equally important is the implementation of a supportive approach to customers. Personal action plans should reflect both the skills needs and aspirations of a specific individual but also ensure that such needs and aspirations can be adequately matched by local demand in the existing regional, if not local, labour market.

Second, adequate staff/client ratios are crucial for effective activation programme performance. Indeed, the provision of individualised support implies that there is a need for well-trained and motivated personal advisers, which increases the need for good human resources management in terms of staffing and retaining existing staff. The need for effective human resources strategies and forward planning is becoming more acute as Jobcentre Plus has to deal with a massive inflow of new applications in the context of a much more challenging labour market.

Third, specific effort must be devoted to support harder to help customers with care to prevent drop-out. Indeed, hard to reach groups face complex and often cumulative individual barriers to employment, such as substance use, lack of self-esteem, low skills and language issues, especially for those who are born abroad. Clients may also experience difficulties in getting around (transportation barriers) or may have to care for an elderly or disabled dependant, which in turn prevents them from attending a Work Focused Interview (WFI) (as for carers). Support

packages must be flexible enough to address this range of complex needs and to ensure that individuals actually stay on the programme.

Fourth, subsidised work placements combined with on the job training and other appropriate measures achieve sustainable employment outcomes. Indeed, one of the most common – and successful – policy instruments is the creation of highly subsidised jobs in the private sector for vulnerable groups who would not otherwise be employable under ‘normal’ market conditions. The placement programme for youth (JOP) in the Netherlands and the scheme for disabled people in Denmark sponsor the private sector in order to encourage employers to hire people with severe barriers to employment. Such programmes produce good post-employment results but are also costly.

1 General introduction

Until the early 1980s, in Western Europe the strategy to compensate the loss of jobs in the manufacturing sector consisted of the adoption of 'passive' labour market policies. Early retirement schemes coupled with the piecemeal expansion of unemployment compensation and, increasingly, public assistance, were the favourite policy instruments to mitigate the social costs of job loss. As it became clear by the mid-1980s that the end was not in sight, the constant expansion of passive labour market policies came to a halt, albeit with significant differences between countries. It is in this context that the virtues of 'active labour market policies' began to be rediscovered, especially within supranational organisations such as the OECD (1994) and the European Union (EU) in 1997, with the official launch of the European Employment Strategy (EES) in 1997. The OECD defines ALMPs as follows: *'First, they make receipt of benefits conditional on the benefit recipient demonstrating active job search and/or a willingness to take steps to improve employability. Second, they provide a range of pre-employment services and advice to help the individuals in question find work or get ready for work.'* (OECD, 2002:9). Activation policies are defined by their goal: they intend to help people of working age back into the labour market. They do not aim directly to increase the number of available jobs. They involve the implementation of labour market programmes (public employment services and administration, labour market training, youth measures, subsidised employment and measures for the disabled). The OECD Jobs Strategy (1994), the EES (1997), followed by the Lisbon Summit (2000) represent the first generation of activation policies (1994-2002). In very broad terms, they encompassed a shift towards spending on active labour market programmes, with a strong emphasis on training, especially at the EU level, and much less emphasis on cost-effectiveness. The first generation of OECD and European activation strategies was also very much focused on the unemployed as opposed to the inactive. There was, therefore, no indication about how to move the inactive back into paid work, for instance by requiring them to move into unemployment benefits. In sum, the first generation of ALMPs was based on broad recommendations and guiding principles, but were not extremely specific. These policies were designed to address the challenge of long-term unemployment. To what extent were they effective?

Evaluative studies from both the OECD and the European Commission have been inconclusive as to the net 'employment creation' factor of this first generation of ALMPs (Martin 2000, Martin and Grubb 2001, Calmfors, Forslund and Hemström 2001, CEC 2002). Mixed results prompted the OECD to reassess its 1994 Jobs Strategy in 2003. The 2006 edition of the OECD Employment Outlook provides a general reassessment of the strategy. The emphasis is now on increasing the effectiveness of active programmes rather than increasing spending on ALMPs per se (OECD 2006: 69). The challenge (as in 2006) is no longer structural unemployment or long-term unemployment, but inactivity. The reassessed OECD Jobs Strategy (2006) focuses, in particular, on how to move people on non-employment benefits, notably lone parents and people with disabilities, onto mainstream unemployment benefits.

Box 1: Spending on ALMPs as a percentage of the GDP – selected countries

In the OECD, spending on active labour market programmes remains very low as a percentage of the GDP, albeit with significant cross-country variations. In Western Europe, Nordic and Continental countries such as Denmark, Sweden, France, Germany and the Netherlands are the biggest spenders on activation measures as a percentage of the GDP. In 2005, Denmark spent 1.74 per cent of its GDP on active measures, Sweden 1.18, France 0.90, Germany 0.75, and the Netherlands 1.35 of its GDP. By contrast, Anglo-American countries such as Canada (0.32 per cent), Australia (0.45 per cent), New Zealand (0.27 per cent), the UK (0.32 per cent), and the US (0.13 per cent) are among the lowest spenders on active labour market programmes (OECD 2007a: table J, p. 270-276).

To sum up, there are seven reasons why activation policies have become such a popular policy for combating unemployment and worklessness among OECD countries:

- ALMPs enable the reconciliation of the objectives of balanced budgets with full employment goals.
- They hold the promise of reducing the number of income maintenance beneficiaries, in line with the aim of containing the growth of social expenditure and reducing public deficits as specified by the Maastricht Treaty in 1992.
- They foster non-inflationary employment growth, which is a key objective of the European Central Bank and the US Federal Reserve Bank. As active labour market programmes raise labour supply, they increase the competition for jobs, which puts downwards pressures on wages.
- They specifically aim to address the problem of a lack of skills or skills obsolescence, which had become a new social risk in the post-industrial society.

- They increase the flexibility and the adaptability of the workforce, thus enabling firms to quickly respond to the new opportunities but also the new challenges brought about by increased trade openness, i.e. globalisation. Increased adaptability is good news for business but also for labour as workers can make smooth transitions between unemployment and employment.
- Full employment is needed to sustain the European social model, notably generous expenditure on pensions and care for the elderly in the context of the 'greying of Europe'. The EU must make full use of its untapped reserve of labour in order to raise enough revenues and generate sufficient economic activity.
- The consensus is that paid employment is the best way out of poverty. The 'active welfare state' helps individuals achieve their full potential and makes sure that they do not remain trapped in low-paid jobs, but that they have a real opportunity to move up the career ladder (Esping-Andersen 2002).

How does the UK compare in terms of its endorsement of Work First strategies, based on a mutual obligations approach? The answer is that the UK is at the vanguard of radical activation policies. Only Australia and certain US states have gone even further in terms of pushing people back into work in order to decrease the welfare rolls.

2 The UK in the international context

The activation regime for people on unemployment benefits is one of the most demanding across the OECD, with a clear emphasis on the obligations of the unemployed vis-à-vis the PES. From an international perspective, the UK has travelled very far down the activation workfare route over the past ten years. All nations across the OECD have increased their efforts in terms of job search assistance and monitoring, albeit with significant cross-country variations. In particular, all countries follow a practice of intensive obligatory interviews between the jobseeker and the PES. The OECD (2006 and 2007a) has devised a range of indicators to assess what countries do in terms of activation, such as job search requirements and explicit job search reporting procedures, verification of employment status, frequency and length of intensive interviews in the unemployment spell, and compulsory participation in activation programmes.

- **Job search requirements** – In Europe, job search requirements are most important in the UK (ten per month), Switzerland (between four and ten) and in the Netherlands (four a month).
- **Job search reporting procedures** – Thirteen OECD countries require reporting between every two weeks and monthly; some requiring proof of eight or more job search actions per month (Australia and certain US states). In the UK, employment services require proof of three job search actions per fortnight. Australian employment services require proof of between eight and twenty job search actions per month.
- **Verification of employment status** takes place every fortnight in the UK, Australia, Korea, Luxembourg, Portugal and the Slovak Republic (only Austria goes further by requiring attendance once a week).

- **Intensive interviews in the unemployment spell** – Australia, Belgium, the Czech Republic, France, Germany, Korea, Slovak Republic, Spain, Sweden and Switzerland have reached a standard of at least five intensive interview-equivalent contacts per unemployed client per year. This set of countries is followed by another group with on average four intensive contacts annually (Austria, Denmark, Hungary and Norway). The duration of intensive interviews varies greatly, but the most typical duration is thirty minutes.
- **Compulsory participation in ALMPs** after a period of unsuccessful job search is common practice in Australia, Denmark, Sweden and certain states in the US. In Australia, participation in ALMPs is compulsory after six months of unsuccessful job search for those aged 18 to 49, in Denmark it is also compulsory for individuals aged 30 to 60 after nine months of unsuccessful job search. Denmark and the UK also have lower thresholds for youth (18-22 and 18-24 respectively) with young people required to take part in activation programmes after six months.

Similarly, the UK has pioneered some of the most radical reforms in terms of moving the inactive back into paid employment. For example, the benefits system is now focusing on incapacity benefits claimants, with increased requirements in terms of availability for specific work-related activity and benefit sanctions for non-compliance with programme requirements.

In a comparative perspective, the UK still possesses a relatively relaxed regime in terms of work obligations for single parents, and historically, lack of affordable childcare has been one of the main barriers to single parents' participation in the labour market. In France, lone parents are entitled to a single parent allowance which terminates once the child reaches age three. Some single parents move into a general social assistance programme, the Revenu Minimum d'Insertion, which is available to all needy individuals aged 25. Plans are currently under way in France to tighten eligibility and work availability criteria for all social assistance claimants regardless of their status.

However, with regards to people with health conditions and disabilities, the only countries to have developed stricter work requirements are Australia and the Netherlands. Furthermore, in 2001 the UK introduced a requirement for partners in couple households who are claiming benefits to be available for work, following examples from Australia (1995) and Denmark (1997).

3 What works best among OECD countries

Evidence on what works best shows that personalised assistance with job search and Work First strategies tend to be more cost-effective in the short term (Martin 2000, OECD 2005: 175, Armigeon 2007: 906). Work First strategies refer to relatively cheap employability programmes which focus on quick re-entry in the labour market regardless of the quality of employment. Work First strategies can lead individuals to accept jobs of lower quality, both reducing unemployment durations (individuals are faced with financial sanctions if they do not accept a suitable job offer) but also entries to unemployment. Work First policies are historically associated with workfare, especially in the US, in the sense that non-compliance with work requirements can lead to substantial benefit sanctions, if not blanket denial of benefit entitlement. Such workfare policies not only discipline welfare recipients, they also deter dissatisfied workers from leaving their jobs (OECD 2005: 189). Evidence from the US suggests that sticks, i.e. financial sanctions, should be implemented with caution, as they tend to affect individuals with the most severe barriers to employment. For instance, a Minnesota study found that sanctioned families were four times as likely as the caseload as a whole to report chemical dependency, three times as likely to report a family health problem, and twice as likely to report a mental health problem or domestic violence. Moreover, sanctioned individuals were more likely to have trouble understanding Temporary Assistance for Needy Families (TANF) rules and the consequences of not participating (Schott, Greenstein and Primus 1999).

When evaluating the impact of activation programmes, one should remember that activation programmes do not aim to raise employment per se, but rather to improve employability. This distinction is crucial: activation policies represent a mechanism that facilitates the transition into the labour market. As noted by Armigeon (2007: 907) and Daguerre (2007), most evaluation studies point to a relatively mixed record of ALMPs in terms of labour market outcomes. To date, chapter four of the OECD Employment Outlook (2005: 173-208) provides the most comprehensive picture of what works best (see Box 2).

Box 2: Labour market programmes and activation strategies: Evaluating the impacts

- Cuts in unemployment benefits should be set at a moderate level: there should be no blanket denial of benefit entitlement (as in harsh workfare programmes).
- Moderate workfare requirements with intensive employment services tend to have the best impact on employment rates.
- Job search assistance and Work First strategies often have a large impact for a relatively low cost, with a special mention for intensive interviews and individual action plans.
- Long-term training and job creation schemes have modest impacts in the short term but can have positive results in the long term, especially in terms of improved earnings and job retention.
- Hiring subsidies have a positive impact but public sector job creation programmes have a small, if not negative, impact.
- Compulsory participation in long-term programmes can have a motivation effect, i.e. people find work before programme participation starts as they do not want to comply with programme requirements (motivation effect also referred to as the deterrence effect).
- Initial success in reducing unemployment can start a virtuous circle, as falling number of benefit recipients will liberate resources and support for individuals with severe barriers to employment (multiplier effects offset displacement effects).

Source: OECD 2005, 173-208.

One of the most common tools for evaluating ALMPs has been its effect on post-programme employment rates. Calmfors (1994) identifies three types of effects for the target group:

- deterrence and motivation effects: participation in activation as a condition of benefit entitlement makes the unemployed intensify their job search which increases the probability of getting work (deterrence/and or motivation effects);
- lock-in effects: participation in activation makes the unemployed search less intensively for work because it takes time to participate in activation; and
- qualification effects: the labour market qualifications of the unemployed are improved, thus making it easier to find a job matching their qualifications.

Deterrence effects can be particularly strong. Here, the goal is not to improve employment rates but to reduce welfare dependency through a decrease in welfare rolls. When individuals are faced with a cut in benefit entitlement if they fail to comply with programme requirements, some will respond by dropping

their benefits claim (OECD 2005:174). This deterrence effect (or sorting effect) has been particularly strong in Denmark, Sweden and the US. In particular, there is some evidence that benefit caseloads respond to news about changes in the labour market regime even before the individuals experience any change. In Denmark, the obligation to participate in labour market programmes applied to all unemployed people after four years of unemployment starting in 1994, after three years in 1996, two years in 1998 and just one year since 1999 (Kvist and Pedersen 2007: 103). Monthly rates of entry to employment tended to stop falling and then began to rise about six months before participation in programmes became compulsory. Benefits cuts in Sweden affected behaviour several months before they were actually implemented (OECD 2005: 185).

In the US, TANF passed by Congress in 1996 ended federal entitlement to social assistance and introduced a five-year time limit for receiving cash assistance. This time limit did have a strong deterrence effect on low income families. According to the Sixth Annual Report presented to Congress in 2004, the welfare caseload had fallen by 14.4 million recipients in March 1994, to 5.3 million recipients in September 2002. According to the Council of Economic Advisers (CEA), during 1993-96, 30 per cent of the caseload decline was due to the improved labour market. After 1996, however, the CEA estimated that the decline was due, in large part, to the changes in state welfare programmes implemented under TANF. More recently, the Urban Institute found that employment of TANF recipients increased in the early years of reform from 20.9 per cent to 31.5 per cent between 1997 and 1999 but declined in the later period, with a 6.5 percentage point decline between 2000 and 2005. There is also a significant increase in the percentage reporting that they left welfare because benefit receipt involves *'too much hassle'*. Some clients have also finally reached the five-year time limit and are no longer eligible for TANF (Acs and Loprest 2007: vii). The deterrence effect is particularly strong in the US and increased work requirements under the Deficit Reduction Act passed by Congress in 2006 are likely to deter even further potential welfare recipients from entering or remaining on welfare rolls.

In terms of reducing welfare dependency, from a purely quantitative point of view, available evidence points out that the most effective measures rely on a stick and carrot approach (Carcillo and Grubb 2006). In particular, work availability requirements coupled with a threat of benefit sanctions in case of non-compliance with programme requirements are much more effective than voluntary participation in activation programmes. A particularly effective tool for monitoring job search behaviour consists of setting up individual action plans with a set programme of tasks and obligations which are closely matched to the unemployed person's needs. Here an employment adviser plays the role of a mentor or professional coach to provide 'personalised' assistance early in the client's unemployment spell. For such a virtuous mechanism to take place, however, the employment service needs to work in close cooperation with social partners and local authorities in order to identify labour market shortages and implement a coherent and integrated activation policy at the local level. Such a cooperative scheme has been trialled in Denmark and has delivered promising results.

Box 3: Denmark

In Denmark, employment services are placed under the responsibility of the municipalities. Local authorities provide one-stop services for all unemployed people regardless of their status (insured jobseeker or welfare recipient). Within each local authority an employment committee has been established in order to coordinate activation programmes. The employment committee includes social partners' representatives and is chaired by the local authority. This rationalisation and increased localisation has a number of implications (KL Danish Local Government Association 2007, Madsen 2007). In 2006, a Welfare Agreement established partnership agreements between municipalities and local entrepreneurs. Typically, the government subsidises the private sector to hire social assistance claimants. Although this scheme effectively improves post-employment rates and dramatically reduces welfare dependency, it is also very costly.

There is at present increasing recognition of the need to establish effective governance mechanisms in order to promote an integrated, coherent approach to local labour market needs. However, this does not mean that the Human Capital approach, with its emphasis on qualification effects, is back in fashion. On the contrary, the common wisdom is that training has a modest impact on post-programmes employment rates, although its effect tends to be greater for women than for other types of participants (Martin 2000, Martin and Grubb 2001, OECD 2005 chapter 4, Kluve 2006). Indeed, training programmes, as measured by the qualification effect, tend to foster mixed results, according to evaluation studies in Sweden and Denmark. This is partly because qualification effects are particularly difficult to measure. In Denmark, private job training has the largest direct employment effect on both insured jobseekers and social assistance recipients: individuals aged 25+ who participate in this type of programme reduce their dependence on social security by 20 percentage points, i.e. two months a year. However, the impact of other activation measures is much smaller. For instance, social assistance recipients who participate in employment projects reduce their dependency on social transfers by only three percentage points (Kvist and Pedersen 2007: 107). The fact that training does not have a strong employment effect has been a source of concern in Denmark given the popularity of the Human Capital approach, whereby education and training normally secure employment. In Sweden, Calmfors *et al.* (2002) also report very mixed results for training programmes, since microeconomic studies found no, or negative, employment effects. Labour market training seems slightly more effective than job creation schemes in terms of employment effects.

In recent years activation policies have increasingly focused on the economically inactive as opposed to people on unemployment benefits. Among the economically inactive, three categories of hard to reach groups have been identified as possessing severe barriers to employment: people on disability benefits, disadvantaged

youth and, in certain countries, single parents. To activate such groups and to ensure that they turn to mainstream employment, benefits with increased work requirements has become a political priority for a majority of OECD countries. The OECD *Sickness, Disability and Work: Breaking the Barriers* (2007b) reviews recent policy developments in the UK, Australia, Spain and Luxembourg. In these four countries spending on activation measures for people with disability is low, but is even lower in Australia and the UK than in other countries (OECD 2007b:149).

In the UK, the main challenge is the very large number of disability benefit recipients, which represents eight per cent of the share of the working-age population, above the OECD average (six per cent). A particularly worrying trend is the increasing number of relatively young people with mental health conditions, notably women. The average recipient tends to be a young person, a woman with limited work history and with a mental or behavioural health problem. In Australia, six per cent of the working-age population is on disability benefits. As in the UK, recipiency grew fastest for people aged 20-49, (OECD 2007b: 19). Mental health problems account for almost 40 per cent of all disability benefit recipients in the UK, and one-third in Australia. Although the UK and Australia have relatively low disability benefit levels, they also have higher disability benefits recipient caseloads. The challenge for policymakers is to help people with mental health conditions to remain in, or return to, work. This might be a particularly daunting task given the persisting negative attitudes of employers towards people with such conditions. How has Australia addressed this challenge?

Since 1998, under the Job Network contract, general employment services are now supplied by private providers, and some providers are specialised in providing services to people with disabilities. Funding is mostly outcome-based with outcomes judged in terms of 13 and 16 weeks of continuous employment of the jobseeker. These principles have been expanded to specialist employment services for people with disability, the Disability Employment Network (DEN), and Disability Business services. Fees are based on jobseekers' support needs (the higher the needs, the higher the fees) and their employment outcomes.

Box 4: Job Capacity Assessment in Australia

Since mid-2006, all applicants for Disability Support Pensions, except those who are considered severely disabled, have to undergo a new Job Capacity Assessment (JCA) in order to establish their capacity for work and identify barriers to employment. The assessment includes a face-to-face meeting between the assessor and the person. Assessors are mostly health professionals such as psychologists, rehabilitation counsellors and occupational therapists. After the assessment has taken place, the assessor prepares a report about the claimant's ability to work and the activation needed to support work. The report is sent to Centrelink (a one stop agency responsible for benefit payments) and, if appropriate, to a service provider. Individuals who are deemed capable of working between 15 and 29 hours a week are required to work part-time. They are transferred to normal unemployment benefits schemes with stricter compliance rules. This latest reform must be analysed in combination with ongoing welfare reform, which aims to activate all people of working age regardless of their status. The aim is to maximise labour market participation in order to decrease welfare dependency. This is also clearly the direction endorsed by the UK, which emulates the 'Australian model' in this respect.

Source: OECD 2007 (b).

Is the JCA the way forward to address the challenge of a stubbornly high disability benefit recipient caseload? It is too early to tell, and much will depend on the quality of the support services provided, especially in relation to mental health conditions. Of course, the JCA can be a useful tool for identifying and thus managing disability conditions early in the inactivity spell, which is certainly a step in the right direction. Early analysis indicates that there has been a significant increase in the proportion of people with partial capacity to work leaving income support since requirements to look for part-time work were introduced through the Welfare to Work reform in July 2006. However, if increased work requirements are not matched by the provision of comprehensive, non-judgemental support services, especially for people with mental health conditions, there is a considerable risk that the number of unemployed people with mental health problems will increase (OECD 2007b: 98).

Denmark has pioneered a more supportive approach. Here the emphasis is to provide ongoing support in the workplace as well as subsidised employment schemes in the private sector for people with severe barriers to employment who would be unable to find and retain a job in regular market conditions.

Box 5: Activation schemes supporting people with disabilities

New Paths to Employment Strategy

This scheme is designed for people with mental disabilities as well as disadvantaged people claiming social benefits. New Paths includes:

- personal assistance, available in the work place in order to help establish working relationships with colleagues;
- in every workplace, activities to improve competencies are offered to people with mental health conditions in order to improve their employability;
- supplementary training – those with qualifications will receive supplementary training to enhance their employability;
- enterprise centres – special centres set up within firms where disabled people can work, funded by the local authority and managed in partnership with the company;
- social mentor – these assist people to cope with everyday life such as dealing with banks, doctors and caseworkers.

Within the workplace the strategy involves supporting, through training, colleagues of people with mental health disabilities, providing funding for disseminating good practice in relation to innovative projects, and providing practical guidelines for reintegrating people into the workplace.

Source: Danish Ministry of Social Affairs and Ministry of Interior and Health (2006).

Low-skilled youth continue to be at a much higher risk of unemployment than the rest of the population. This was a major concern of the 1994 OECD Jobs Strategy and the EES in 1997. Despite historically high employment levels across the OECD in 2007, the situation of youth has not improved much over the past decade. In the UK, indicators of youth performance in the labour market paint a mixed picture. Between 1997 and 2002 youth unemployment decreased from 13.4 to 11.1 per cent. However, by 2007 it had risen again to 14.4 per cent, slightly above the OECD average of 13.4 per cent (OECD 2008a: 63). So overall, youth unemployment increased by one percentage point between 1997 and 2007. Moreover, 13 per cent of 16-24-year olds were neither in employment nor in education or training (NEET) in 2005 compared to 11.6 per cent in 2000 and 11.9 per cent in 2002 (OECD 2008a: 63). There is, thus, a renewed rationale for assessing international evidence in order to emulate the activation schemes that seem to work best for young people, in particular low-skilled youth.

The Dutch system is one of the best performers among OECD countries. Indeed, the labour market performance of Dutch youth is among the best in the EU-15, comparable to Denmark. The youth employment rate reached 64 per cent in 2006, well above the EU average of 51.3 per cent (OECD 2007a). Providing

young people with the education and skills they need has long been a key policy goal in the Netherlands. However, recent activation policies for youth combine a training fare and a Work First approach.

Box 6: The obligation to learn and work in the Netherlands

Since 2006, the emphasis is on much stricter requirements for young people, the so-called mutual obligations approach. Two measures are particularly striking:

- since 2007, the government has introduced an obligation to attend full-time education from 16 to 18 unless the young person has attained a starting qualification;
- as of 2009, all youth aged 18 to 27 who have not successfully completed upper secondary education are required to resume schooling or to work. Unless this condition is met, young people can be fined or denied part of their social benefits.

Other measures focus on counselling students, in particular those with special needs. Mentoring and coaching also figure prominently in this new scheme.

Source: OECD 2008 b.

As in other OECD countries, insurance benefits have become much less accessible for young people. Disadvantaged youth can apply for social assistance from their municipality. Evidence suggests that local authorities apply a much tougher mutual obligation regime to youth than to other age groups. A potential drawback is that young people stop applying for help, and therefore disappear from official statistics. In particular, youth from ethnic minorities can drift into informal market activities or even illegal activities, simply because the mutual obligations system lacks the supportive elements which are crucial to effectively serve very disadvantaged youth (OECD 2008b:135).

Another popular scheme is JOP, a youth development and experience placement programme. A young person who has received social assistance or unemployment benefit for more than six months can participate in JOP. A JOP is an internship of three months during which trainees keep their benefit and get a wage of €450 a month from their employer. According to the Ministry of Social Affairs and Employment, this scheme is effective in helping youth to secure long-term employment but there is no reliable evidence that this is the case owing to a lack of rigorous evaluation (OECD 2008b:139).

What can be learnt from this brief presentation of the Dutch model for activating youth? Three main points can be stressed:

- Ethnic minority youth and the low-skilled form the core of the hard to serve population. The problem is that very few schemes seem to work for this population, which appears to cumulate all sorts of disadvantages (World Bank Youth Employment Workshop, 2008).
- A Work First approach without supportive elements can have a significant deterrence effect on disadvantaged youth. If non-take-up of social benefits is the implicit goal of current activation reforms in the UK, this is of course fine but there is a high risk that disadvantaged youth just disappear from official statistics and drift into illegal activities, as the Dutch example makes it clear.
- Residential programmes such as the Job Corps in the US or the 2eme chance offered by the French Ministry of Defence might work best to integrate extremely disadvantaged youth. In the US, Job Corps consists in taking disadvantaged youth aged 16-24 out of their regular locality and putting them into a boarding school type environment, giving them mentoring, work experience and remedial education.

4 Conclusion

In Western Europe, activation reforms have had mixed results in terms of employment outcomes. Some training programmes only have a positive impact in the long term within a time frame of two to three years, whilst intensive employment services combined with workfare measures, notably benefit sanctions coupled with increased work requirements, are most cost-effective in the short term. Workfare and Work First programmes decrease welfare dependency as they tend to reduce the number of benefit claimants in the short term. However, such programmes do not always foster sustainable employment as participants tend to cycle back and forth between low paid jobs and benefits. This issue of job retention is becoming increasingly important in recent welfare reform initiatives across the OECD. Evidence shows that the stick and carrot approach is the most cost-effective activation measure. Intensive assistance with job search is also quite effective, as opposed to public employment or training programmes, which are prone to displacement or creaming effects (as was the case with the French *Emplois Jeunes*). There is, thus, a need to effectively tailor activation programmes for the most needy and to emphasise earlier intervention and individualised assistance, since a one-size-fits-all policy does not appear to work.

Activation policies require an important administrative capacity to implement intensive interventions and provide individualised assistance with job search. In particular, adequate staff/client ratios are crucial for effective activation strategies (Tergeist and Grubb 2006: 21). When administrative capacity is lacking, bureaucratic requirements such as eligibility requirements and meeting caseload quota requirements take precedence over individualised case management services. Effective activation policies require a good level of staffing. Motivated and highly trained staff are in the best position to play a mentoring and coaching role, especially when dealing with highly disadvantaged groups who face severe barriers to employment.

Another issue concerning the effectiveness of activation is that those remaining on labour market programmes tend to be the least employable, with the most severe barriers to employment. These people are very difficult to place in the regular labour market. It is unclear whether activation reforms manage to actually decrease the number of welfare recipients or whether they simply change the

distribution of the beneficiaries. In particular, some recipients can easily be activated but others will experience short spells of employment followed by a return to social assistance, which is known as the carousel effect. Activation programmes then become public employment programmes for the least employable (as in the case of Denmark and France), thus recreating the pattern of occupational welfare that activation was precisely supposed to end. This suggests the need for more incentives for employers to participate in activation programmes. Subsidised work placements via wage subsidies in both the local authorities and private sectors in Denmark have been relatively successful in providing work experience combined with on the job training. Evidence suggests that this type of intervention combined with other appropriate measures leads to more sustainable employment outcomes, notably in terms of job retention (Meadows 2006).

Last but not least, the economic slowdown is going to severely test ALMPs. Although it is difficult to predict exactly what is going to happen within the next few months, a lot will depend on the severity of the recession. If labour market conditions change for the worse, the volume of clients will increase (how much will depend on the scale of job losses and redundancies, with high pockets of unemployment), and so will the pressure on frontline staff at Jobcentre Plus, at a time when resources will probably not increase. This also means that the deterrence effect could have less of an impact because it works best on people who are 'job ready', that is, who prefer to find a job quickly as opposed to complying with tougher work requirements and conditionality. But should certain jobs disappear, the effectiveness of the deterrence or motivation effects might reach its limits, simply because people will have to get back on benefits. In this context, effective targeting will be the key as well as providing supportive counselling and coaching services to people with mental health conditions and severe barriers to employment.

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