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***Active Labour Market Policies in the Neo – Liberal Era***

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## 1. Introduction

In the period following the Second World War public employment services (hereafter PES) were established and expanded in OECD countries in tandem with provision of financial assistance to the unemployed in the form of unemployment benefits. Government expenditure on labour market policies to address unemployment can be divided into 2 categories, active and passive. Payment of unemployment benefits in the form of unemployment insurance or social assistance is denoted 'passive'. Active labour market policies (hereafter ALMP) include a range of programmes intended to 'activate' the unemployed to enhance employability. Active programmes can be broadly divided into 4 types. First, jobsearch assistance may be provided in the form of labour market intermediation through PES, individualised counselling and case management, or jobsearch training courses designed to increase matching efficiency. Second, job creation schemes may be initiated to provide work for the unemployed, usually in the public or non-profit sector. Job creation schemes are usually temporary programmes that fund entire projects including wages for participants and supervisors, administration and materials. Historically, Job creation programmes have assumed greater importance during economic downturns. Wage subsidies paid to private or public sector employers constitute the third type of ALMP, providing subsidies to enhance the employment prospects of particular groups such as the long-term unemployed, youth, sole parents, people with disabilities, and ethnic minorities. Generosity and duration of subsidies have varied considerably both between countries and within countries over different time periods and depending on target groups. Finally, investing in human capital formation through formal training programmes provided free to participants is designed to assist skill formation and increase productivity. ALMP have been used extensively with the relative importance of different types of ALMP changing frequently in response to labour market and political circumstances.

The theoretical justification for ALMP is that they increase labour market efficiency, productivity, employment outcomes and earnings for the unemployed. The benefits which were outlined by (Calmfors, 1994) can be summarised as:

- Facilitating matching efficiency in the labour market through more active job search.
- Maintaining labour force participation by maximising the effective labour supply which applies downward pressure on wages and increases employment.
- Reducing welfare losses from unemployment by increasing the probability of employment, guarding against future unemployment and producing a higher wage than would otherwise be obtained.
- Increasing labour productivity through skill formation due to formal training or counteracting skills atrophy through job creation programmes.
- Speeding up jobsearch due the 'work test' effect of ALMP that make unemployment less attractive.

ALMP have several potential disadvantages that reduce employment creation programme effects and must be weighed against the advantages outlined above (see, Fay, 1996). Most programmes are vulnerable to deadweight loss which occurs when some of the employment gains associated with the ALMP programmes would have occurred anyway. In addition, employer subsidies are prone to displacement and substitution effects. Displacement occurs when cost advantages enjoyed by the subsidised firm allow it to increase its market share at the expense of competitors. Even if these effects are found, ALMP can be justified on equity grounds.

All ALMP are susceptible to attachment effects where participants reduce job search efforts in order to concentrate on programme completion. A particular concern with targeted public sector job creation schemes is the possibility of stigmatisation of participants (Fay, 1996). These programmes also have the potential to crowd out private sector jobs if additionality conditions are not imposed effectively. For this reason the types of jobs designed for job creation schemes are usually restricted to jobs yielding social benefit that are not currently being performed. However, the net impact of ALMP cannot be inferred from economic theory since there are countervailing effects (Calmfors, 1994; Fay, 1996).

We will examine the use of ALMP in OECD countries in recent decades. Consequent to the abandonment of full employment policies internationally, and in line with recommendations of the OECD Jobs Study, active labour market policies have been adopted that require the unemployed to undertake intensive job search, training, or participation in unpaid work, whilst surveillance, sanctions and conditionality conditions for receipt of social security benefits have become more draconian. The emphasis in ALMP shifted from direct provision of employment to strategies designed to increase the employability of the unemployed and to increase labour supply regardless of persistent demand deficiencies. Moreover, attempts to 'make work pay' have married measures to ensure financial gains from working, such as reduced withdrawal rates, tax credits or in-work benefits with cuts in replacement rates and duration. While these developments have been more pronounced in liberal welfare states such as the United States and Australia, they have also been prominent in conservative and social democratic regimes.

## **2. International experience with ALMP**

ALMP have existed for centuries as evidenced by the poor laws throughout Europe. Extensive public works (job creation) programmes were used during recessions in the 19<sup>th</sup> century and during the depression in the 1930s. Throughout the postwar period until the early 1970s, when most Western economies were mainly at or close to full employment, job creation programmes were used as a counter-cyclical response to unemployment that was recognised as a consequence of demand deficiency. This section will provide a brief history of ALMP, especially in relation to the period after the demise of full employment from the mid 1970s. In the postwar period the commitment to full employment, included the use of fiscal and monetary policy to stimulate aggregate demand and job growth in response to demand deficiency.

The retreat from Keynesianism resulted in acceptance of the view that unemployment was a supply-side phenomenon that reflected deficiencies in the education, skills or attitudes of the unemployed. Beginning in the 1980s the neo-liberal ascendancy coupled restrictive macroeconomic policies and a preference for market mechanisms in all spheres of life with an ideological campaign that sought to blame the unemployed for their predicament. More recently the failure of neo-liberal policies has resulted in the rise of the Third Way which is promoted as plotting a middle path between the post-war social democratic policies and neo-liberalism. The Third Way concern for social inclusion is largely limited to inclusion in the paid workforce. Workforce participation is prescribed for all working age people as an obligation to society and the best strategy to lift themselves out of poverty despite the fact that there are not enough jobs in the prevailing environment of fiscal restraint.

The initial response of OECD governments to the advent of mass unemployment as a consequence of the economic crisis of the mid 1970s was the introduction of job creation programmes to provide temporary employment in either the public or non-profit sector. Over the past 30 years the government commitment to full employment has been abandoned with aggregate demand management policies being largely discarded in favour of activation

policies designed to enhance employability. Demand side policies have been largely confined to subsidisation of private sector employment.

The shift to supply side policies in the 1980s ushered in a period of vocational training. Courses were provided to increase the skills of the unemployed and enable them to compete in the labour market with a view to reducing the insider / outsider effect that prevented the unemployed being effective substitutes for the employed. However, the passage of time saw training programmes transformed in many countries so that by the 1990s they focussed increasingly upon delivering employability through minimal training in jobsearch techniques. Lafer claims that employability programmes are no longer designed “to provide the skills or education that might enable participants to gain greater leverage in the labour market. Instead they are intended to lower the sights and aspirations of participants, producing a disciplined class of low-wage workers” (Lafer, 1999: 123-124).

Accompanying ‘activation’ policies were institutional changes in the administration of employment and ALMP policy and benefit payment systems. Gradually OECD countries introduced additional conditionality on the receipt of income support. New requirements were often applied to unemployed youth in the first instance and then extended to older groups of the unemployed. More recently, conditionality has been increasingly applied to other workless groups who were previously regarded as being outside the labour market. Some of the strategies that have sought to increase the monitoring of the activities of income support recipients have reversed previous reforms. In the postwar period, employment services were deliberately kept separate (or separated) from unemployment benefit administration to remove potential impediments to the achievement of employment outcomes and also to minimise adverse impacts on relationships with clients (see Price, 2000 for developments in the UK).

Institutional changes have varied between countries but have included amalgamation of the employment and benefit administration functions and an active role for PES staff in monitoring the activities of job seekers and applying sanctions for non-compliance. In addition, many services that were previously performed by the PES have been outsourced to the private sector. For example, the creation of the Job Network in Australia in 1998 established a competitive framework where the public, private and non-profit sectors would compete for contracts for delivery of employment services. Subsequently, these contracts have been allocated to the for-profit and non-profit private sector.

In addition to these general trends there are significant differences between countries in the resources devoted to ALMP and the composition of expenditure between programmes. The proportion of GDP devoted to ALMP is displayed an increasing trend for most OECD countries over the period 1975 to 2005 (Table 1). In many countries expenditure peaked in the mid 1990s as countries struggled to deal with the high unemployment levels that persisted after the recession of the early 1990s. Expenditure declined in tandem with employment levels in the following decade. There is no simple relationship between the unemployment rate and ALMP expenditure. The countries with the highest ALMP expenditure, Denmark and the Netherlands, are equal 22<sup>nd</sup> in the OECD in terms of the unemployment rate. In 2005 both Korea and the US spent 0.13 per cent of GDP on ALMP and had the 25<sup>th</sup> and 18<sup>th</sup> highest unemployment rate in the OECD in 2005.

Table 1 ALMP expenditure as percentage of GDP, 1975 to 2006

	1975	1980	1985	1990	1995	2000	2005-06	UR 2006
Australia	0.30	0.30	0.40	0.27	0.84	..	0.45	4.8
Austria	0.10	0.20	0.30	0.32	0.36	0.52	0.62	4.7
Belgium	0.70		1.300	1.07	1.40	1.18	1.08	8.2
Canada	1.10	0.50	0.60	0.54	0.57		0.32	6.3
Czech Republic					0.14		0.25	7.1
Denmark	0.20	0.50	0.90	1.26	1.97	2.02	1.74	3.9
Finland	0.60	0.70	0.90	0.98	1.58	0.89	0.89	7.7
France	0.20	0.30	0.70	0.79	1.31	1.21	0.90	9.2
Germany	0.50	0.60	0.80	1.03	1.36	1.21	0.97	9.8
Greece			0.20	0.50	0.36			8.9
Hungary					0.42		0.29	7.4
Ireland		0.20	1.50	1.51	1.68	0.92	0.63	4.4
Italy					1.13		0.54	6.8
Japan	0.40	0.70	0.20	0.13	0.13		0.25	4.1
Korea					0.08	0.4	0.13	3.5
Luxembourg			0.50	0.36	0.20		0.52	4.7
Netherlands	0.20	0.40	1.00	1.05	1.28	1.53	1.33	3.9
New Zealand			0.90	0.83	0.71		0.39	3.8
Norway	0.90	0.70	0.60	1.01	1.34	0.61	0.75	3.5
Poland					0.34		0.43	13.8
Portugal			0.40	0.63	0.83	0.49	0.69	7.7
Spain			0.30	0.75	0.81		0.78	8.5
Sweden	1.20	2.10	2.20	1.69	2.36	1.79	1.32	7
Switzerland			0.20	0.25	0.48		0.76	4
United Kingdom	0.40	0.70	0.70	0.61	0.46		0.49	5.3
United States	0.20	0.30	0.10	0.26	0.19		0.13	4.6

Source: (OECD, 2007; Employment Outlook, various years)

Table 2 demonstrates that, in general, the share of ALMP expenditure increased as a proportion of total labour market expenditure between 1990 and 2005. There was an increase in activation policies as a consequence of the policy shift described above and the massive increase in unemployment following the recession in the early 1990s which motivated governments to attempt to address unemployment by the introduction of new programmes or the extension of existing programmes. These programmes were subsequently wound back in some countries as unemployment rates dropped. Therefore, between 2000 and 2005 there have been reductions in the proportion of ALMP in several countries.

The most dramatic increase in the proportion of ALMP expenditure between 1990 and 2005 occurred in Australia, where the ALMP share increased from 19.6 per cent to 42.5 per cent, an increase of 117 per cent. In the UK the rise from 39.1 per cent to 72.1 per cent constituted an increase of 84 per cent. Other countries to record significant increases in the proportion of ALMP expenditure included Denmark (83 per cent), and Canada and New Zealand (55 per cent). Thus the liberal welfare states, with the exception of the US, were at the forefront of the transformation from passive to active expenditure.

Conversely, countries with the highest ALMP share of expenditure in 1990, Sweden, Switzerland, Portugal, Germany and Finland, had all recorded a significant decline in the share by 2005. The largest decline was in Portugal, where the ALMP share fell from 60 per cent to 34.8 per cent over this period. Despite the large fall in the ALMP share of expenditure, both Sweden and Switzerland remained among the top 5 countries in terms of the proportion of ALMP expenditure; Sweden ranked second after the UK and Switzerland ranked fifth.

Table 2 ALMP expenditure as proportion of total labour market programme expenditure (active and passive)

	1990	1995	2000	2005	Increase (%)
Australia	19.6	39.6	..	42.5	117.0
Austria	24.8	20.0	30.8	29.1	17.3
Belgium	28.3	33.6	35.4	31.3	10.6
Canada	22.0	30.5	..	34.0	55.1
Czech Republic	..	50.0	..	51.0	
Denmark	22.3	30.0	45.9	40.9	83.3
Finland	46.4	28.3	30.0	31.9	-31.3
France	29.7	42.4	46.7	35.7	20.3
Germany	48.1	36.5	39.0	29.2	-39.3
Greece	53.8	45.0	..	..	
Hungary	..	31.8	..	42.6	
Ireland	34.4	38.3	54.1	43.2	25.5
Italy	..	56.5	..	39.7	
Japan	28.9	25.0	..	36.8	27.3
Korea	..	100.0	83.3	37.1	
Luxembourg	33.0	25.0	..	43.7	32.3
Netherlands	32.6	29.0	43.0	39.7	21.8
New Zealand	30.4	38.4	..	47.0	54.6
Norway	46.3	54.9	54.5	46.3	-0.1
Poland	..	15.0	..	33.3	
Portugal	60.0	46.4	37.4	34.8	-41.9
Spain	23.7	24.8	..	35.0	47.8
Sweden	65.8	51.1	56.8	52.4	-20.3
Switzerland	64.1	29.4	..	45.0	-29.8
United Kingdom	39.1	26.7	..	72.1	84.3
United States	34.2	35.8	..	35.1	2.7

Source: (OECD, 2007; Employment Outlook, various years)

### 3. Public Sector Job Creation Programmes (PSJC): from job creation to workfare

Several reasons have been advanced for the use of job creation programmes. In periods of high unemployment they can be speedily phased in to provide an effective counter-cyclical stimulus to the economy by increasing labour demand and creating jobs for the unemployed (Balkenhol, 1981; Jackson and Hanby, 1982; Roy and Wong, 2000). In the past, political necessity has dictated that governments faced with electorate expectations of full employment are seen to be actively attempting to eliminate unemployment (Jackson and Hanby, 1982). This changed with the Thatcher Government in being re-elected in 1983, despite a record unemployment rate of nearly 13 per cent.

Job creation has a smaller impact on inflation than a general expansion in aggregate demand, because it directly targets the unemployed (Jackson and Hanby, 1982; Calmfors, 1994; Belchamber, 2004). The Job Guarantee (JG) advocated by Mitchell (1998) proposes that a buffer stock of public sector jobs be available to all those seeking work. The number of JG jobs would expand / contract as unemployment increased / decreased. The JG environment offers a mechanism to control inflation (see Allen *et al.*, 2007; Mitchell and Muysken, 2008 for a detailed explanation). In essence, when many workers are employed in JG jobs, real wage demands will be lower.

In addition to macroeconomic objectives, job creation programmes address structural imbalances among industry sectors and regions and assist disadvantaged groups in the labour market (Balkenhol, 1981; Jackson and Hanby, 1982; Roy and Wong, 2000). Belchamber (2004) asserts that governments have a responsibility to address unemployment, including regional disparities, which have persisted despite a prolonged period of economic growth. In addition, Brodsky (2000: 31) stresses that public sector job creation “may be the only effective way to aid those among the long-term unemployed who are less skilled and less well educated.” Finally, public sector job creation is also a means of addressing unmet needs for environmental protection and community development.

As with other ALMP, there are potentially unintended adverse consequences of job creation programmes. At the macro level, provision of jobs could fail to meet the objective of net job creation due to displacement, substitution or deadweight loss. However, public sector programmes designed to meet needs that are currently not being met, reduce the probability of substitution or displacement. O’Connell (2002: 67) notes that an OECD review of ALMP in 1993 found that “direct job creation schemes were less likely to suffer from high deadweight than employment subsidies – since most participants would have few alternative employment opportunities – and that programmes can be designed to minimize substitution and displacement.”

Table 3 Expenditure on job creation programmes in OECD countries, 1990 to 2005

	% GDP				% ALMP			
	1990	1995	2000	2005	1990	1995	2000	2005
Australia	..	0.22	..	0.08	0.00	26.19	..	17.78
Austria	0.03	0.03	0.04	0.04	9.38	8.33	7.69	6.45
Belgium	0.54	0.57	0.45	0.36	50.47	40.71	38.14	33.33
Canada	0.02	0.03	..	0.02	3.70	5.26	..	6.25
Czech Republic	..	0.01	..	0.03	0.00	7.14	..	12.00
Denmark	..	0.24	0.06	0.00	0.00	12.18	2.97	0.00
Finland	0.39	0.53	0.11	0.07	39.80	33.54	12.36	7.87
France	0.01	0.21	0.40	0.18	1.27	16.03	33.06	20.00
Germany	0.10	0.34	0.26	0.10	9.71	25.00	21.49	10.31
Greece	0.01	..	0.00	0.00	2.00	0.00	..	0.00
Hungary	..	0.10	..	0.06	0.00	23.81	..	20.69
Ireland	0.24	0.67	0.40	0.21	15.89	39.88	43.48	33.33
Italy	..	0.01	0.05	0.01	0.00	0.88	..	1.85
Japan	..	..	..	0.00	0.00	0.00	..	0.00
Korea	..	..	0.26	0.00	0.00	0.00	65.00	0.00
Luxembourg	0.02	..	..	0.13	5.56	0.00	..	25.00
Netherlands	0.02	0.08	0.30	0.15	1.90	0.00	19.61	11.28
New Zealand	0.08	0.03	..	0.00	9.64	4.23	..	0.00
Norway	0.15	0.14	0.07	0.07	14.85	10.45	11.48	9.33
Poland	..	0.08	..	0.03	0.00	23.53	..	6.98
Portugal	0.03	0.03	0.05	0.03	4.76	3.61	10.20	4.35
Spain	0.12	0.05	0.10	0.09	16.00	6.17	..	11.54
Sweden	0.11	0.43	0.04	0.00	6.51	18.22	2.23	0.00
Switzerland	0.00	0.08	..	0.00	0.00	16.67	..	0.00
United Kingdom	0.00	0.01	0.01	0.00	0.00	2.17	..	0.00
United States	0.01	..	..	0.01	3.85	0.00	..	7.69

Source: (OECD, 2007; Employment Outlook, various years)

Programmes may be considered worthwhile on equity grounds in the absence of net job creation if employment outcomes of disadvantaged groups are enhanced. However, at the individual level, participants may not achieve improved employment outcomes, or improves

employment outcomes may dissipate rapidly after completion of the programme. In addition, such programmes potentially suffer from lock-in effects whereby participants become attached to the programme and reduce job search efforts so that employment outcomes do not improve. Programme evaluation is difficult in the absence of random assignment because the treatment and control groups are likely to have differences in unobservable characteristics that impact on outcomes.

Table 3 shows expenditure on job creation programmes as a proportion of GDP and the share of job creation expenditure in total ALMP expenditure in the OECD between 1990 and 2005. As a proportion of GDP, the highest expenditure on job creation in 2005 occurred in Belgium (0.36 per cent), Ireland (0.21 per cent), France (0.18 per cent) and the Netherlands (0.15 per cent). Over the period, job creation expenditure declined significantly in the Scandinavian countries of Finland, Norway and Sweden where such programmes had previously been an important component in the suite of ALMP. These 3 countries used job creation programmes extensively following the 1990s recession as indicated by the higher levels of expenditure in 1995.

Job creation schemes are relatively more important in Belgium and Ireland, with one-third of ALMP expenditure devoted to job creation in 2005, although the share in Belgium fell from just over 50 per cent in 1990. Similarly, job creation accounted for 25 per cent of ALMP expenditure in Luxembourg, and 20 per cent in both France and Hungary. The Australian figure of almost 18 per cent is attributable to 2 factors. First, expenditure on the CDEP scheme for the Aboriginal and Torres Strait Islander ATSI population is included although the programme is more akin to a work for the dole scheme than job creation. Second, the increasing proportion also reflects the reduction in total ALMP expenditure due to the elimination of most other programmes by the incoming Howard government in 1996. Over the period, job creation has increased its share in ALMP expenditure in France, Hungary, Ireland, Luxembourg and the Netherlands. On the other hand, the job creation share has declined in Belgium, Finland, Norway, Sweden and Switzerland.

The remainder of this section provides an international overview of the use of public sector job creation and workfare programmes that demonstrates that as the right to welfare has declined over the past few decades there has been a shift from job creation to workfare programmes. Job creation refers to paid employment where participants are classified as employees and receive at least the minimum wage. In contrast, workfare programmes entail the requirement that benefit recipients work in return for welfare payments, that is 'work-for-benefit' without receiving further services (Lødemel and Trickey, 2001; OECD, 2005b). Workfare programmes are generally considered as work experience, not employment. They are stigmatising and constitute a reduction in entitlement (Lødemel, 2001a).

### Australia

Australia has used job creation and workfare programmes since 1970. Job creation schemes typically paid the award wage for the job and participants were considered to be employed. In response to the economic crisis in the 1970s, the government introduced the Regional Employment Development Scheme (REDS). Following the recession in the early 1980s, the Fraser government introduced the Wage Pause Programme which was superseded by the Community Employment Programme (CEP) that ran from 1983 to 1987. In the 1990s, the government introduced JobSkills to provide work experience for a period of 26 weeks and enhance skills by incorporating formal training. Subsequently, New Work Opportunities (NWO) provided 26 weeks employment for long-term unemployed and disadvantaged jobseekers as part of the Working Nation package. The 2007 *Working on Country* programme

provides employment for aboriginal people and environmental protection in regional and remote areas (see Cook (2008b) for further details of these programmes).

Australia also has a history of workfare programmes that provide work experience in return for unemployment benefits with a small ancillary payment to cover travel expenses. The Community Development Employment Programme (CDEP) began in 1977 to promote economic, social and cultural strength in indigenous communities (Gauntlett *et al.*, 2000). More recently, the Howard government introduced the mandatory workfare programme, Work for the Dole (WfD) and subsequently extended the programme, including full-time Work for the Dole for the very long-term unemployed (unemployed more than 2 years). These programmes are also discussed in more detail in Cook (2008b).

### Belgium

Belgium has a long tradition of temporary public sector job creation programmes dating from the CMT programme that operated from 1963 to 1989 and the special temporary management programme (CST) from 1977 to 1989 (Defourny, Favreau and Laville, 2001). The third operating circuit (TCT) provided state-funded, minimum wage jobs in the non-profit sector from 1982 to meet community service needs that were not currently being met and to allow participants to requalify for unemployment benefits (Brodsky, 2000).

In addition to traditional job creation programmes, other initiatives could be characterised as workfare. From 1987 municipalities organised 45 hours of work per month for those unemployed longer than 3 years, in jobs outside the normal workforce including housework, caring for the sick and elderly, and gardening in return for benefits and an allowance, with the intention of facilitating re-entry to the labour market and curtailing participation in the black economy (Bruyninckx, 1997). In 1998, 2 new programmes were introduced where participants retained unemployment benefit or social assistance for positions that could last between 1 and 3 years and provided additional training (Brodsky, 2000). The *Progression to Work* programme provided additional jobs in the public and non-profit sectors for the long-term unemployed with a focus on urban areas (Brodsky, 2000).

In addition, *Smet Jobs* were introduced for those unemployed in excess of 5 years, those on supplementary (minimum) benefit for more than 3 years and unskilled workers who were unemployed for more than 2 years or in receipt of supplementary (minimum) benefit (Van der Hallen, 1997). Workers could be employed on a part-time basis in private companies, autonomous public companies and other public institutions, local and provincial councils to perform tasks such as environmental protection that would not otherwise have been done. Employees had a normal employment contract for 50 to 80 per cent of full-time hours and the employer received a subsidy equivalent to the amount of benefit the unemployed person would have received, and had an exemption from social security contributions. While employment duration was limited to 3 years, there was a provision extension due to social security contribution exemptions for the following 2 years (100 per cent in the first year and 75 per cent in the second).

The government continued its commitment to job creation programmes as a means of integrating the long-term unemployed by increasing the number of jobs by 1,300 and also provided 2,000 work experience positions for youth that included part-time vocational training in 2005 (European Commission, 2007). The OECD criticised this approach citing the limited potential of these programmes to assist participants to achieve sustained employment outcomes and recommended that ALMP funds be transferred to training to address skill shortages (OECD, 2005a).

## Canada

According to (Roy and Wong, 2000), job creation programmes were emphasised in Canada from the 1970s to the mid-1980s, then became less important and the emphasis shifted to workfare programmes in the 1990s. In the 1970s and 1980s Canada implemented a plethora of job creation programmes to address the rise in unemployment. The Local Employment Assistance Programme (LEAP) ran from 1972 to 1983, providing employment for disadvantaged groups including indigenous people, people with disabilities and drug and alcohol users. (Roy and Wong, 2000) note that this programme was effective in helping some of the most disadvantaged people, with employment outcomes of over 50 per cent being achieved within 2 months of programme completion.

The Local Initiatives Programme (LIP) provided jobs in Winter for services to the community from 1971 to 1977 (Roy and Wong, 2000). LIP was replaced with 2 programmes that operated between 1977 and 1980. Young Canada Works provided 10.5 weeks work for youth, while Canada Works provided up to 52 weeks employment for adults. From 1980 to 1986 Local Economic Development Assistance (LEDA), and subsequently Local Employment Assistance and Development (LEAD), provided up to 51 weeks employment. In addition, the Canada Employment Programme operated from 1980 to 1983 to address unemployment in regions of slow economic growth. In response to the recession in the early 1980s, New Employment and Expansion provided jobs for the long-term unemployed in 1982-83.

Leo and Andres (2004) examined a project that operated for 6 years from 1986 to eradicate Dutch Elm disease. Social assistance recipients who were heads of households were employed at union wage rates and trained in equipment handling, Dutch Elm disease identification and urban forestry management. Of the 236 people who participated, 47 per cent subsequently obtained employment with the city while others worked in conservation and environment or nurseries.

The Infrastructure Renewal Demonstration Project operated in 1994-95 for heads of households working on road maintenance at regular wage rates. The project was jointly funded by the federal, provincial and local governments. Leo and Andres (2004: 15) assert that the cost of the programme was significantly offset by savings in social assistance payments, and the positive outcomes “lend little credibility to the belief underlying workfare that welfare recipients can only be induced to work with threats of dire consequences.” Similarly, Human Resources and Social Development Canada (1998) concluded that Canadian job creation programmes proved to be useful counter-cyclical tools and appropriate for targeting disadvantaged groups as well as providing outputs of value to communities.

Currently provinces administer Job Creation Partnerships (JCP) that provide job opportunities for Employment Insurance (EI) recipients for up to 52 weeks. Programmes vary by province but, in general, participants continue to receive EI and can access top up payments to bring total remuneration to the maximum benefit rate or to assist with work related costs such as child care and transport (Service Canada, 2007a). Jobs are sponsored by the public sector, non-profit, local government, private sector or community groups and must be additional positions (Service Canada, 2007a).

## Denmark

Job creation programmes have operated in Denmark since the 1970s. These included the Public Employment Works (PEW), Employment Projects for Young People (EPY) and the Job Offer programme that offered 7 months work in the public sector for those unemployed for a minimum of 2.5 years and operated from 1977 to 1994 (Brodsky, 2000). These programmes attracted the regular wage according to the public sector collective agreement.

The 1990 Youth Allowance Scheme introduced compulsory activation of youth aged 18-19 for a period of 5 months at a low wage after being on benefit for only 2 weeks. This was extended to all 18-24 year olds from 1992 (Rosdahl and Weise, 2001).

The fact that Municipalities contributed half the cost of social assistance provided an incentive to place recipients in job creation programmes whereby they could qualify for unemployment insurance. This circumstance changed in 1994 as part of a major reform that prevented cost-shifting to the national government and was promoted as an attempt to obtain sustained employment outcomes rather than cycling through periods of unemployment and periods on ALMP (Rosdahl and Weise, 2001).

Throughout the 1990s, policy increasingly emphasised the ‘Active Line’ which made benefits conditional on participation in order to re-integrate the unemployed into the workforce (Rosdahl and Weise, 2001). From 1994 social assistance recipients over 25 years were supposed to be activated after 1 year on benefits, including work in the public sector for up to 3 years in activities such as environmental protection, cultural affairs, education assistance and social services in return for the equivalent of unemployment benefits (Brodsky, 2000). From 1998 all social assistance recipients were to be activated. For those under 30, activation occurred after 3 months and consisted of a maximum of 37 hours per week for 18 months (Rosdahl and Weise, 2001). Those over 30 years were required to participate in activities according to locally determined guidelines after 12 months receipt of social assistance. Activities can include counselling, subsidised employment, training or the workfare programme, *Individual job training*. This entails working in positions provided by local authorities or voluntary organisations in work that would not otherwise be performed in return for the equivalent of social assistance benefits plus a small employment supplement (Rosdahl and Weise, 2001; Kluge *et al.*, 2007). The average duration of individual job training is 6 to 12 months and it is sometimes combined with formal training.

### Finland

The Programme of Guaranteed Employment introduced in 1987 in Finland provided employment to all long-term unemployed, defined as those unemployed for over 12 months in the past 2 years (Brodsky, 2000). The programme was discontinued in 1993 due to the rapid increase in unemployment during the recession; from 3.4 per cent in 1990 to 17.7 per cent in 1993 (Rosdahl and Weise, 2001).

Since 2004, youth have been offered a training or work placement after 3 months registration (OECD, 2006c). Since 2006, unemployment benefits have been conditional on participation in ALMP after 500 days. Local authorities are required to provide a minimum of 12 months during the following 2 years. In the past, wage subsidies to public and private employers have been more prevalent than training but this is changing and also the private sector subsidy share has increased from 20 per cent in 1990 to 62 per cent (Brodsky, 2000; OECD, 2006c). Fifty four per cent of those on active measures in 2004 were involved in subsidised employment placements (OECD, 2006b).

### France

The ‘community jobs’ or Collective Utility Work (Travaux d’Utilité Collective, TUC) workfare programme commenced in France in 1984 (Enjolras *et al.*, 2001; Kluge *et al.*, 2007). The programme was available for 16 to 21 year olds initially and was then extended to unemployed young persons aged 22 to 25 in 1986. The programmes provided work to satisfy unmet community need in the public or non-profit sectors for a period of 1 to 2 years. Participants were not considered to be employees and received approximately 40 per cent of

the minimum wage (Enjolras *et al.*, 2001). Approximately 10 per cent obtained training and employers received additional payments for providing training (Enjolras *et al.*, 2001).

TUC was replaced by Employment-Solidarity Contracts (Contrat Emploi Soidarité, CES) in 1990 which provided employment for 20 hours per week for a period of 3 to 12 months in public institutions, local administrations and non-profit organisations (Kluve *et al.*, 2007). The programme was available for low-skilled youth 16-21, LTU youth 22-25 and adults with poor labour market prospects. Participants received the legal minimum wage paid by the state and employers were exempt from social security contributions in respect of these workers but were liable for unemployment insurance contributions. Temporary contracts could be renewed for recipients with poor labour market prospects.

Major reforms were undertaken by the Jospin government in the late 1990s. Prior to the 1998 introduction of Revenu Minimum d'Insertion (RMI), there was no national social assistance scheme in France. RMI provided a minimum income to unemployed adults over 25 who were not eligible for social insurance and a right to insertion into the labour market (Enjolras *et al.*, 2001). RMI is funded by the national government and insertion programmes are funded by regional and local governments.

Employment for Youths (Emploi Jeunes) was introduced in 1998 to provide jobs for young people under the age of 26 and those 26 to 30 who were not eligible for unemployment insurance (Enjolras *et al.*, 2001; Kluve *et al.*, 2007). The programme aimed to create 350,000 'real' jobs in the public and non-profit sectors. Jobs paid the minimum wage and were to be available for a minimum of 5 years (Enjolras *et al.*, 2001). Employers received subsidies of around 80 per cent of wage costs and also benefited from reduced social contributions (Enjolras *et al.*, 2001). The programme was discontinued in 2002.

The 1998 National Action Plan For Employment introduced the New Start programme to tackle social exclusion (Brodsky, 2000). New Start included 2 public sector employment schemes, community work contracts (CES) discussed above, and consolidated employment contracts which included a greater emphasis on skill formation and recognition (Brodsky, 2000). These large-scale job creation programmes had 425,000 and 60,000 participants, respectively in 1999.

More recently, several job creation measures have been implemented. In 2004 Youth-in-Business Contracts provided 100,000 civil service positions for disadvantaged youth that combined on the job experience with study (European Commission, 2007). In 2005 the government introduced 'employment starter contracts' (Contratd'avenir) to provide 1 million public sector jobs over 5 years for those in receipt of RMI for over 6 months and single parent allowance recipients (European Commission, 2007). Positions were available with local and regional authorities, subsidised companies and organisations that assist the unemployed. Employers received a flat-rate subsidy for providing minimum wage jobs for 26 to 35 hours per week that were complemented by formal training (European Commission, 2007). In addition, 'contrats d'accompagnement dans l'emploi' provided employment to satisfy unmet community needs. Positions providing 20 hours work per week for a period of 6 to 24 months were available in the public and non-profit sectors, or private organisations in charge of public services. Employers received 95 per cent of the minimum wage and were exempt from social security contributions (European Commission, 2007).

### Germany

Pubic sector job creation was part of a package of measures introduced in 1979 to address high unemployment rates in regions undergoing structural change (Balkenhol, 1981). 'Support for Job Creation Measures' commenced in 1991 for those unemployed more than 6

months but was criticised for not providing training or replicating a “real-world experience” (Brodsky, 2000: 35). The 1997 Job Creation Measures programme addressed these concerns by including a formal training component of 20 to 50 per cent of participation time. In 1998 the Alliance for Jobs Strategy provided public sector employment for those unemployed 6 months or longer and municipalities were able to set up job creation. As a result of these measures, there was a dramatic increase in participants. For example, participation increased from 177,000 to 442,000 between January and November 1998 (Brodsky, 2000).

As a consequence of the Hartz reforms, the scale of job creation was reduced from 2002 and eligibility restricted to the long-term unemployed (Jacobi and Kluve, 2006; OECD, 2006a; Kluve *et al.*, 2007). ABM positions in non-profits and private firms usually last for 1 year, but from 2003 this could be extended to 3 years for older workers. The subsidy of 50 to 75 per cent wage subsidy was changed to a lump sum in 2003 and the training requirement was removed (Kluve *et al.*, 2007). The workfare ‘1-Euro-jobs’ commenced in 2005. Under this scheme the unemployed may be required to undertake work created by public institutions in return for unemployment benefits and one Euro per hour (Kluve *et al.*, 2007).

### Ireland

Ireland’s job creation programme, the Social Employment Scheme was introduced in 1985 and was replaced by the Community Employment programme in 1994 (Brodsky, 2000). Community Employment provided 40,000 part-time jobs in the public and non-profit sector for those over 35 and unemployed for more than 3 years and adults over 21 unemployed for more than 1 year. Participants had annual contracts that could be renewed for up to 3 years and were paid an allowance by the government rather than a regular wage (Brodsky, 2000).

Currently, Ireland has 2 major programmes that provide work experience in the public and non-profit sectors. The first scheme, Job Incentive, was introduced to assist those over 35 who had been in receipt of Unemployment Assistance, Unemployment Benefit or Lone Parent allowance for at least 5 years (FAS Training and Employment Authority, 2007). The programme provided participants with work experience and training in the public and non-profit sectors but is currently being phased out. No new participants have been placed since 2004.

The second scheme, Community Employment (CE) provides part-time employment of 39 hours per fortnight in the public or non-profit sector (FAS Training and Employment Authority, 2007). There are 2 components of CE: the part-time integration option and the part-time job option. The part-time integration option is for the long-term unemployed over the age of 25 and receiving benefits for at least 1 year, or over 18 years and on disability-related payments for 1 year. Eligibility for the part-time job option is restricted to those aged over 35 and in receipt of benefits for more than 3 years. The initial placement period for the latter is 1 year but this can be extended to a maximum of 3 years (FAS Training and Employment Authority, 2007). CE training opportunities include training to perform the duties of the CE job, skill enhancement and core skills training to provide additional personal and technical skill to access employment in the future (FAS Training and Employment Authority, 2007). CE is administered as follows. Each public employment service region has a framework agreement that is negotiated with employment sub-committees of local partnership groups to decide which projects and community sponsoring groups to approve (O’Callaghan, 2003). This process uses FAS data on local unemployment rates and levels of disadvantage.

## Italy

Between 1996 and 2004 PSJC declined in importance with expenditure falling from €426 million to €184 million, while total ALMP expenditure increased from €17 billion to €21 billion (Kluve et al., 2007). From 1994 to 1998 the Italian government ran a job creation programme to assist unemployed youth in economically disadvantaged areas to access employment as part of a package of measures that also included education and training and on the job training (Caroleo and Mazzotta, 1999). Jobs were provided in socially useful activities and lasted for a maximum of 1 year with 80 hours of work available per month. Wages were co-financed by the government and employers. In addition, a special programme for unemployed youth in the South of Italy provided employment in socially useful activities for those aged 19 to 32, or for up to 35 if unemployed in excess of 30 months (Caroleo and Mazzotta, 1999).

## Netherlands

The public sector job creation programme ‘Interim-Maatregel Jeugfige Werklozen’ (IM) commenced in 1974 and was mainly used for young people who had been unemployed for 2 months or more (Balkenhol, 1981). The government acted as an employer of last resort through the introduction of Labor Pools in 1990 (Brodsky, 2000). Persons who had been unemployed in excess of 3 years were employed and hired out to public institutions for low-skilled jobs such as cleaning and gardening. However the low rate of exit to work resulted in replacement of the programme.

The introduction of ‘Melkert jobs’ in 1996 provided employment for long-term unemployed in the areas of public safety, managing the environment, elder care and service provision for disadvantaged groups (Brodsky, 2000). The positions were for 32 hours per week, paid regular wage rates and were targeted to areas with high unemployment rates. In 1998 an additional 20,000 Melkert jobs were created, and the programme was altered to incorporate education and training and to provide bonuses for participants leaving the programme (Brodsky, 2000).

The shift in responsibility for re-integrating the long-term into the workforce from the national government to the municipalities resulted in the amalgamation of programmes and the ability of local authorities to customise job creation jobs to the needs of the unemployed (Brodsky, 2000). From 1998 subsidised jobs were predominantly in the public and non-profit sectors with the private sector accounting for only 25 per cent. Positions combined work experience with skills training and incentives to return to work.

## New Zealand

In New Zealand the job creation programme, Taskforce Green, provides employment for project based work usually lasting up to 26 weeks. The work is in community organisations, educational institutions, government departments and local authorities, District Health Boards, non-profit organisations, and the private sector (Ministry of Social Development, 2007b). Projects must be of benefit to the community, provide additional positions and provide a minimum of 30 hours work per week for full-time work or 15 hours per week for part-time work. Placements can be on an employment only basis or combine employment and training. Wage subsidies are set at a maximum of \$280 per week, while combined employment and training can attract subsidies of up to \$325 per week. In addition, there is funding of \$325 per week for supervision if there are 4 or more Taskforce Green workers.

## Norway

Public sector job creation schemes in the 1970s included the Extra Employment Scheme (EES) and Alternative Jobs in the Public Sector (AJPS) (Human Resources and Social Development Canada, 1998). The 1991 Social Services Act paved the way for the introduction of workfare by empowering local authorities to make receipt of social assistance conditional on work (Lødemel, 2001b). Lødemel (2001b) explains that workfare reinforced the principle of subsidiarity; that social assistance should only be available as a last resort for those with no other means of support. Dahl (2003) contends that despite the ‘social inclusion’ rhetoric, the actual programme conforms to the paternalistic discourse of commentators such as Murray (1984). and Mead (2000).

The intention of the Act was to target workfare at youth by providing individually tailored part-time jobs that were of benefit to the community and would not otherwise have been performed. However the Act did not specify the weekly work requirement or the duration of participation and had no training component. While workfare was not widely implemented, the local authorities that did use the programme often introduced a “harsh workfare regime with no training and long working hours in ordinary jobs and with strong sanctions for non-participation” (Lødemel, 2001b: 151). Around two-thirds of local authorities using the programme enforced work for more than 15 hours per week and included no training, while some were forced to work full-time for more than a year (Lødemel, 2001b).

In 1993 several ALMP were amalgamated into KAJA ‘Competence training for work and job creation for unemployed people’ which was targeted to unemployed people assessed as being at risk of permanent exclusion from the labour market (Lødemel, 2001b). As an alternative to workfare, KAJA provided public sector job creation with local authorities for both UI and SA recipients. Workfare became more important in 2003 with the provision of additional places for long-term social assistance recipients as part of the Action Plan to Combat Poverty (Dahl and Lorentzen, 2005).

## Sweden

Job creation schemes have existed in Sweden from the 1933 introduction of Relief Works in the midst of the depression. Relief works provided 6 months employment at the regular wage rate and remained an integral component of the Swedish welfare state model until the economic crisis of the 1990s. It operated as a counter-cyclical measure to ensure full employment (Brodsky, 2000). By the 1990s, Relief Work became less important and was complemented by 2 workfare programmes: the work placement scheme (API), and work experience (ALU) (Carling and Richardson, 2004). Both schemes provided work experience for the unemployed for work that would not otherwise be performed, in return for the equivalent of unemployment benefits rather than the regular wage. API could be utilised by public and private sector employers while ALU applied in the public and non-profit sectors, included a training component and allowed participants to requalify for unemployment insurance. In contrast to the workfare nature of API and ALU, relief work (RW) provided the regular wage and mainly involved work for municipalities and state organisations. The Resource Jobs programme commenced in 1998 and provided public sector placements for the long term unemployed for a period of 6 months. Participants continued to receive benefits which could be topped up by employers (Brodsky, 2000). Public Temporary Employment was also introduced to provide public sector employment for the unemployed aged over 55 years (Brodsky, 2000).

The 2006 ‘Jobs Package’ introduced ‘Plusjobb’ positions that provided full wage subsidies for public sector employment of those unemployed for over 2 years by the State, municipalities, associations of local authorities and contractors to these organisations (Prime Minister's

Office, 2005). To ensure additionality the positions were in work that was not previously carried out. About 80 per cent of Plusjobbs were in the municipal sector in schools, child care and elder care. The scheme was terminated in October 2006 (AMS, 2006).

Since July 2007 the 'job and development guarantee' provides individually designed assistance including intensive jobsearch, personal coaching, participation in programmes such as job training, work experience, subsidised employment and skills development for the long-term unemployed (Prime Minister's Office, 2006). Participants who have not secured employment within 450 days on the programme will be assigned to a job that is useful to society. The programme provides 65 per cent of lost earnings (minimum of SEK 320 per day and maximum of SEK 680 per day) to those with unemployment insurance. Those without insurance are paid SEK 223 per day for a maximum of 450 days.

### Switzerland

Employment Programmes (EP) commenced in the late 1990s to provide work with public and non-profit private institutions. The positions lasted 6 months, were fully subsidised and were required to be additional (Gerfin, Lechner and Steiger, 2002). Participants received the minimum wage for the region and sector and were required to continue job search activities and accept suitable employment. In 1998 about 10 per cent of the unemployed participated in EP. Switzerland introduced a programme that provided 6 months employment in the public or non-profit sector in return for a wage equivalent to unemployment benefit while remaining classified as unemployed and required to look for work (Gerfin, Lechner and Steiger, 2002).

### United Kingdom

Several job creation programmes were introduced in the UK in response to mass unemployment from the 1970s. In 1972 the Community Industry scheme provided full-time employment for 1 year for disadvantaged youth (Jackson and Hanby, 1982). The 1975 Job Creation Programme provided short-term jobs of 'social value' in areas of high unemployment. Initially the jobs were targeted at young people 16 to 24 years old and those over 50 years, but were later expanded to include the long-term unemployed. Projects in urban renewal or provision of social services could be sponsored by private employers, voluntary organisations, charities and community groups. By the time the programme finished in 1978 it had provided a total of 120,000 jobs, lasting an average of 8 months, mainly in Northern England and Scotland.

Two new job creation programmes commenced in 1978. First, the Youth Opportunities Programme (YOP) provided a range of options for youth aged 16 to 18 including training and community services but around two-thirds also involved Work Experience on Employers' Premises (Main, 1985). Second, the Special Temporary Employment Programme (STEP) targeted areas of high unemployment and provided 12 months employment for 19-24 year olds who had been unemployed for more than 6 months, and long-term unemployed persons over 24. STEP was replaced by the Community Enterprise Programme in 1981.

Since the 1980s there has been a movement toward workfare programmes that provide youth with work experience in combination with further education or training in return for an allowance which was slightly higher than unemployment benefits. These included the 1976 Work Experience Programme (Jackson and Hanby, 1982), the Youth Training Scheme in 1983 (became Youth Training in 1990), and Employment Training in 1988.

In 1996 Project Work was introduced for the long-term unemployed who were required to participate in 13 weeks intensive jobsearch training followed by 13 weeks mandatory work experience (Trickey and Walker, 2000). After the 1997 election, the New Labour government continued the supply-side 'employability' approach through implementation of the New Deal

requiring the unemployed to participate in one of a number of options. During the Option period for NDYP or the Intensive Activity Period for ND 25 plus participants can be required to participate in voluntary sector or the environmental taskforce in return for the equivalent of jobseekers Allowance plus a small additional allowance.

Limited success of the New Deal and churning of jobseekers returning to the programme provided the impetus for the StepUP trial job creation programme that ran from 2002 to 2004. The programme guaranteed 50 weeks employment, paying at least the minimum wage, to 18-50 year olds in pilot areas who were still unemployed 6 months after completing a New Deal Option or Intensive Activity Period on New Deal 25 plus (Bivand *et al.*, 2006: 92). Jobs could be located in the private, public or voluntary sector and were restricted to 33 hours per week to allow time for job search. Employers received a subsidy of the minimum wage plus a fee for additional costs. The StepUp job creation programme demonstrated that work placements enhance equity by producing superior employment outcomes for the most disadvantaged jobseekers but was not extended beyond the pilot. Rather, long-term unemployed will be required to participate in full-time work experience or work in the community (Department for Work and Pensions (DWP), 2007b).

### United States

In response to the increase in unemployment in the 1970s, public sector job creation schemes were used for the first time since the mass New Deal programme during the depression of the 1930s. The Public Employment Programme (PEP) commenced in 1971 and was replaced by the Comprehensive Employment and Training Act (CETA) in 1974 which included 2 job creation programmes. Title VI was used as a counter-cyclical tool for anyone unemployed longer than 10 weeks. Title II D was designed to assist those affected by structural change and provided around three-quarters of a million jobs to economically disadvantaged jobseekers who had been unemployed for 15 weeks or more (Lafer, 1999; Roy and Wong, 2000). Brodsky (2000) points out there have not been any large-scale job creation programmes in the US since the Reagan government allowed CETA to lapse in 1982.

Youth Corps jobs were available from the 1970s providing around 32 hours work experience and training for youth 18 to 25 in environmental protection or human services (Johnson, 1997). The national Supported Work Demonstration operated for 3 years to 1979 and was targeted to very disadvantaged jobseekers including ex-addicts, ex-offenders and long-term AFDC recipients. Positions were provided for 12 to 18 months in non-profit organisations and high levels of support as well as jobsearch assistance were provided (Johnson, 1997). AFDC participants were mostly black or Hispanic who had not completed high school and had been on AFDC for an average of 8.5 years. AFDC Homemaker-Home Aide Demonstrations that ran from 1983 to 1986 provided paid work and formal training to AFDC recipients in public and non-profit sector organisations (Johnson, 1997). Participants completed formal training and then worked for up to one year providing home help to elderly or disabled clients.

Workfare programmes have become more prominent in the US over time. The Work Incentives Programme (WIN) amendments in 1971 created a 'work-first' environment and the introduction of workfare programmes such as the Supported Work Demonstration (SWD) and Community Work Experience Programme (CWEP) whereby participants could be rotated through a series of low - skill community service jobs (Peck, 2001). The Job Opportunities and Basic Skills (JOBS) welfare-to-work programme established by the Family Support Act in 1998 imposed job search, training and work requirements for welfare recipients with states bound to have 20 per cent of AFDC recipients in workfare programmes by 1995 (Peck, 2001; Wiseman, 2001).

The 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA) accelerated the shift away from human capital development through training to a work-first model. Activity requirements could be satisfied by participation in subsidised or unsubsidised employment in the private or public sector, work experience, on-the-job training, job search and job readiness assistance, community service programmes, vocational training, or provision of child care services to participants of community service programmes (Wiseman, 2001). PRWORA set limits on the duration of Temporary Assistance to Needy Families (TANF), transformed federal grants to states for welfare from matching grants to block grants and gave states more autonomy which resulted in a diversity of programmes throughout the country.

In New York the workfare Work Experience Programme (WEP) requires 20 hours of work per week and is there is no set duration (Wiseman, 2001). Positions are in city agencies and non-profit organisations and include clerical work, maintenance or human community services (Wiseman, 2001). Wisconsin Works (W-2) attempts to immediately place TANF applicants into Community Service Jobs or W-2 activities than enhance employability (Wiseman, 2001). In contrast to New York and Wisconsin, California has low levels of participation, opting to satisfy federal requirements through the CalWORKS programme that combines welfare with employment by reducing the TANF taper rate (Wiseman, 2001).

Despite the emphasis on workfare schemes in the period since the 1996 Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), there have been some public sector job creation programmes implemented by states or counties using federally provided TANF, Welfare to Work (WtW), or job training funds available under the Workforce Investment Act (WIA) (Johnson and Savner, 1999). Community Jobs commenced in some parts of Washington in 1997, primarily to assist disadvantaged jobseekers who had not been able to secure employment due to lack of recent work history or a dearth of job skills (Johnson and Kim, 1999). Positions are for a minimum of 20 hours per week for a maximum of 9 months, and are paid the state minimum wage with access to Earned Income Tax Credits (EITC). The initiative included provision for individual development plans and access to education and training to enhance vocational and soft skills.

#### Other countries

Macedonia has temporary employment for public works (Betcherman, Olivas and Dar, 2004). Similarly, Greece implemented a part-time, fixed term public sector job creation programme in 2003 for disadvantaged groups such as the long-term unemployed, women and people with disabilities (European Commission, 2007).

Former Eastern Block countries have used public sector job creation programmes. Bulgaria provided 5 months employment in the public or private sector under the Temporary Employment Programme (Betcherman, Olivas and Dar, 2004). Since the early 1990s Poland has operated a job creation programmes for the long-term unemployed that provided 6 to 12 months employment in construction and cleaning (Betcherman, Olivas and Dar, 2004). Local authorities in high unemployment areas are funded for infrastructure projects. They receive 75 per cent of average wage costs plus social security contributions for 6 months and then a bi-monthly subsidy up to the same amount (Kluve *et al.*, 2007). In addition, Poland introduced a workfare programme for school leavers to gain work experience in return for the equivalent of unemployment benefits (Betcherman, Olivas and Dar, 2004).

#### 4. Wage subsidies and other recruitment incentives

Recruitment incentives constitute the second major ALMP which are designed to increase labour demand. In recent years governments have generally increased the emphasis on wage subsidies to private sector employers relative to public sector job creation in the belief that provision of jobs that closely resemble mainstream employment produce superior employment outcomes. This section reviews current wage subsidy schemes in OECD countries.

A major issue with wage subsidies in the private sector is whether additionality can be ensured; consequently many countries attempt to design programmes that minimise displacement and substitution. For example the employer application for Targeted Wage Subsidies in Canada asks if there are currently any employees who are laid off, whether the subsidy will displace existing employees or volunteers and whether the subsidised employee is likely to be retained at the end of the subsidised period of employment (Service Canada, 2007c).

Table 4 Wage subsidies in OECD countries, 1998 to 2005

	% of GDP				% ALMP expenditure			
	1990	1995	2000	2005	1990	1995	2000	2005
Australia	0.03	0.06	..	0.01	11.1	7.1		2.2
Austria	0.02	0.02	0.06	0.05	6.3	5.6	11.5	8.1
Belgium	0.04	0.12	0.15	0.17	3.7	8.6	12.7	15.7
Canada	0.00	0.01	..	0.01	0.0	1.8		3.1
Czech Republic	..	0.01	..	0.04		7.1		16.0
Denmark	0.24	0.04	0.50	0.45	19.0	2.0	24.8	25.9
Finland	0.04	0.11	0.12	0.11	4.1	7.0	13.5	12.4
France	0.03	0.16	0.18	0.13	3.8	12.2	14.9	14.4
Germany	0.06	0.07	0.08	0.05	5.8	5.1	6.6	5.2
Greece	0.07	0.06	0.06	0.02	14.0	16.7		
Hungary	..	0.06	..	0.10		14.3		34.5
Ireland	0.02	0.17	0.13	0.05	1.3	10.1	14.1	7.9
Italy	..	0.68	0.23	0.20		60.2		37.0
Japan	0.06	0.06	..	0.02	46.2	46.2		8.0
Korea	..	0.00	0.01	0.02		0.0	2.5	15.4
Luxembourg	0.04	0.03	0.05	0.19	11.1	15.0		36.5
Mexico	..	..	0.00	0.00			0.0	0.0
Netherlands	0.03	0.02	0.06	0.02	2.9	1.6	3.9	1.5
New Zealand	0.07	0.09	..	0.02	8.4	12.7		5.1
Norway	0.03	0.08	0.03	0.03	3.0	6.0	4.9	4.0
Poland	..	0.12	..	0.04		35.3		9.3
Portugal	0.02	0.03	0.04	0.16	3.2	3.6	8.2	23.2
Slovak Republic	..	..	..	0.03				
Spain	0.14	0.24	0.26	0.30	18.7	29.6		38.5
Sweden	0.02	0.32	0.47	0.45	1.2	13.6	26.3	34.1
Switzerland	0.00	0.01	..	0.08	0.0	2.1		10.5
United Kingdom	0.00	0.00	0.03	0.01	3.3	0.0		2.0
United States	0.00	0.00	..	0.00	0.0	0.0		0.0

Source: (OECD, 2007; Employment Outlook, various years)

Table 4 shows expenditure on subsidies to the private sector as a proportion of GDP and total ALMP expenditure, between 1990 and 2005. In general, wage subsidies increased over the period with countries recording increased expenditure outnumbering those recording reductions. The only countries recording significant reduction in subsidies as a proportion of

GDP were Greece, New Zealand and Japan. The countries devoting the largest share of national income to private sector subsidies in 2005 were Sweden, Denmark, Italy, Luxembourg and Belgium. With the exception of Italy where expenditure declined from 0.68 per cent of GDP in 1995 to 0.2 percent in 2005, these countries increased their expenditure as a share of GDP.

Turning to relative importance of wage subsidies in relation to total ALMP expenditure, Spain, Italy, Luxembourg, Hungary, Sweden and Denmark devoted over a quarter of their total ALMP expenditure to subsidies in 2005. The relative importance of subsidies increased between 1990 and 2005 in Sweden (from 1.2 to 34.1 per cent of ALMP), Portugal (3.2 to 23.2), Ireland (1.3 to 7.9), and Belgium (3.7 to 15.7). The ALMP share of wage subsidies declined between 1990 and 2005 in Greece, Japan, Australia, the Netherlands, New Zealand, the UK, Italy and Germany. The remainder of this section sketches various wage subsidy programmes available in OECD countries.

### Australia

Australia has a long tradition of using wage subsidies which commenced with the introduction of the Special Youth Employment Training Programme (SYETP) in 1976 and the Adult Wage Subsidy Scheme (AWSS) in 1983. Both schemes were subsumed by JobStart that operated until they were discontinued by the Howard government in 1996. Other wage subsidy schemes for disadvantaged jobseekers have operated at various times, primarily those with disabilities and indigenous Australians (see Cook (2008b) for further details). Since 1996 wage subsidies have declined in importance as an ALMP, declining from 0.06 percent of GDP in 1995 to 0.01 per cent in 2005, and from 11.1 to 2.2 per cent of total ALMP expenditure over the same time period. Since the beginning of the Job Network in 1998, wage subsidies have been at the discretion of Job Network providers and do not have a separate budget allocation. Currently few schemes are operated by the Commonwealth. The Wage Subsidy Scheme targets people with disabilities, while Wage Assistance is available for ATSI. From July 2006 the Wage Assist subsidy commenced for very long-term unemployed and from July 2007 a wage subsidy of up to \$150 per week commenced for people over 30 years employed in an Australian Apprenticeship. In addition, there are some wage subsidies operating at the state level.

### Austria

In Austria the 2001 'Billion for the disabled' initiative provided incentives for integrating people with disabilities into the regular workforce. 'Integration-type vocational training' was introduced in 2003 providing subsidies to employers who take on apprentices with disabilities (Republic of Austria, 2006).

Another focus of ALMP policy has been the encouragement of apprenticeships. Since 2002 employers could receive 1000 Euro for each additional apprentice. In 2004 the government abolished the UI premium for apprentices in their final year, abolished health insurance premiums for first 2 years, and abolished accident insurance premiums. Financial incentives increased in 2005, with higher subsidies for employing additional apprentices and further reductions in non wage costs.

In addition, the employment of disadvantaged workers has been encouraged through reductions in non-wage labour costs. In 2006 the 'combined wage' was introduced to encourage long-term unemployed youth and older workers to accept low paid jobs where the difference between UI and the wage was small. The wage subsidy component encouraged employers to employ disadvantaged workers.

### Belgium

The 'First Job Agreement' implemented in 2000 reduced social security contributions for employers who employed school leavers under 25 within 6 months of leaving school. Employment could be part-time offering at least half normal working hours for a minimum of 1 year and could involve a training component or apprenticeship (European Commission, 2007).

The government also subsidises employment for the long-term unemployed by continuing to pay unemployment benefits or social assistance when they return to work so that the employer only pays the difference between benefits and the regular wage and the employer also benefits from a reduction in social security contributions. The duration of this wage subsidy depends on the length of unemployment (Betcherman, Olivas and Dar, 2004; Federal Public Service Employment Labour and Social Dialogue, 2004).

### Canada

Targeted Wage Subsidies provide payments for up to 78 weeks for employers who engage unemployed people who are receiving Employment Insurance (Service Canada, 2007c). The scheme commenced in 1996 and provides subsidies of up to 60 per cent of the wage (Gerfin, Lechner and Steiger, 2002).

In Alberta the Training on the Job (TOJ) programme subsidised up to 8 months employment and training in occupations in demand (Human Resources Development Canada, 2000). The employer received a lump sum payment for providing the training opportunity and was reimbursed up to 70 per cent of the training costs.

### Denmark

In Denmark subsidies have been used for migrants and the long-term unemployed. Private job training involved subsidised employment. The 'A new chance for all' reform package of 2005 provided a wage subsidy for immigrants who had been unemployed for at least 90 per cent of the past 3 years (European Commission, 2007). Between 1990 and 2005 wage subsidy expenditure increased from 0.24 to 0.45 per cent of GDP and from 19 to 25.9 per cent of total ALMP expenditure.

### Finland

Wage subsidies for the long-term unemployed were extended in 2002 to provide subsidies for 3 years for those unemployed in excess of 500 days (European Commission, 2007). Subsequently subsidies were provided to social enterprises if long-term unemployed or people with disabilities comprised more than 30 per cent of total employees. Subsidies for those unemployed more than 6 months operated from 2005 to 2007 and from 2006 to 2010. Employers who take on workers over the age of 54 in jobs, and pay between 900 and 2000 Euros per month are eligible for a subsidy of up to 220 Euros (Ministry of Finance, 2006).

### France

The Youth-in Business Contracts scheme for 16 to 23 year olds commenced in 2007 to provide youth with work experience and study opportunities in the private and public sectors (European Commission, 2007).

### Germany

In 2001 Germany instituted wage subsidies for employers who engage the unemployed to fill the positions of existing employees who are undertaking further training (European Commission, 2007). From 2002 there was a phased introduction of subsidies for firms employing the unemployed or those threatened with unemployment, in infrastructure projects, with assistance lasting up to 5 years for employees over 55 (European Commission, 2007). In

addition, since 2003 employers could gain social security exemptions for employees over 55 (Kluve *et al.*, 2007).

From 2004 the New Special Programme provided a full wage subsidy and payment of social security contributions for employers of young people who had been unemployed for 6 to 12 months (European Commission, 2007). Integration wage subsidies are available for employment of low productivity workers with subsidies of up to 50 per cent of wage costs (Kluve *et al.*, 2007).

### Ireland

The Revenue Job Assist Scheme commenced in 1998 and provided employers with tax deductions for wages and PRSI contributions if they employed long-term unemployed workers in jobs that involve 30 or more hours per week. The Wage Subsidy Scheme (WSS) commenced in September 2005 and provides a subsidy of 7650 to 9500 Euros for each person with a disability that is employed for 20 hours or more per week. The subsidy varies according to the productivity of the individual and additional grants are available for additional employees with disabilities (FAS Training and Employment Authority, 2008).

### Italy

Youth Training Contracts (YTCs) were introduced in 1984 in response to high youth unemployment in Italy in an attempt to encourage employers to hire youth by reducing hiring costs and to enable youth to enhance their employability by acquiring work experience and new skills (Caroleo and Mazzotta, 1999). YTCs provide reduced social contributions for employers and a reduced wage rate but must involve training. Higher benefits were available in Southern Italy and other depressed regions.

As part of the 'Biagi law' reform, the Italian government introduced several targeted wage subsidies and the payment of social security contributions. These include subsidies for up to 3 years for 19-29 year old apprentices, for young people entering work, for long-term unemployed aged under 32, for unemployed people over 45, and for women in areas of high unemployment (European Commission, 2007).

### Netherlands

The Netherlands had a range of targeted subsidies including the 'Vermindering Langdurig Werklozen' ('VLW', Reduction Long-Term Unemployment) and the 'Melkert-2' programme (Jongen, van Gameren and Graafland, 2002). In addition, 'Speciale Afdrachtkorting' (SPAK, Special Premium Deduction) jobs were introduced in 1996 and provided payroll deductions for all workers earning less than 115 per cent of the minimum wage but were abolished in 2003 (Kluve *et al.*, 2007).

### New Zealand

The Skills Investment wage subsidy programme in New Zealand targets disadvantaged jobseekers and those at risk of long-term benefit receipt. Employment must be permanent and 30 hours per week or more, or 15 hours or more for non-work tested clients. Subsidy rates and duration reflect the level of assistance required for the person to achieve skill benchmarks. Private sector employers are also eligible for Taskforce Green subsidies (see previous section) (Ministry of Social Development, 2007b).

### Poland

During the 1990s the Intervention Works programme provided subsidies equivalent to unemployment benefit for a period of 6 to 12 months (Betcherman, Olivas and Dar, 2004). Poland introduced refunds for wages and social security contributions for youth in 2002

(European Commission, 2007). Between 2003 and 2006 subsidies were available to employers who employed former iron and steel workers or people attending Social Integration centres for people who have no income or benefit entitlement (European Commission, 2007). Former Social Integration centre participants who are employed for a period of at least 18 months attract a subsidy equivalent to part of the unemployment allowance plus social security contributions: 80 per cent of the unemployment allowance for the first 3 months; 60 per cent for the next 3 months; and then 40 per cent for the following 6 months (Towalski, 2003).

### Portugal

From 2001 the Job Offer Stimulus Programme in Portugal has provided subsidies for employers who hire young persons in their first job, long-term unemployed jobseekers over 45, or beneficiaries of RMG (national minimum income) (European Commission, 2007). The subsidy is equivalent to the minimum pay rate and lasts for 12 months.

### Sweden

As mentioned above, Sweden's expenditure on subsidies has grown considerably in recent years contrasting with the decline in expenditure on job creation schemes. Between 1990 and 2005 expenditure grew from 0.02 per cent to 0.45 per cent of GDP and its importance in ALMP expenditure rose from 13.6 to 34.1 per cent (for further detail see Cook (2008a)). From 1998 there were 3 major programmes that provided subsidies of varying amounts and durations depending on participant characteristics: general employment subsidies; reinforced employment subsidies; and extended and reinforced subsidies (see Cook (2008a)). The short-lived Plusjobb programme that operated from January to October 2006 provided full wage subsidies for public sector employment of those unemployed for over 2 years by the State, municipalities, associations of local authorities and contractors to these organisations (Prime Minister's Office, 2005).

'New start jobs' began in January 2007 and provides subsidies equal to social contributions to employers who employ persons in receipt of unemployment or sickness benefit, disability pension or social assistance or newly arrived refugees for more than a year. The subsidy lasts for the length of time the person has been unemployed up to a maximum of 5 years (Prime Minister's Office, 2006). Employer contributions have also been reduced for various service sectors in an attempt to stimulate demand for low-skilled workers.

### Switzerland

Subsidised Temporary jobs (TEMP) operated from the late 1990s in the private sector in Switzerland "to encourage job seekers to accept job offers for 'unsuitable' jobs... that pay less than their unemployment benefits by overcompensating the difference with additional payments from the UI system" (Gerfin, Lechner and Steiger, 2002: 7). The additional payment is the difference between the earnings in the temporary job and the previous earnings bringing total earnings to more than UI which is 80 per cent of previous earnings (Gerfin, Lechner and Steiger, 2002). The wage paid cannot be less than the minimum wage for the region, sector or occupation.

### United Kingdom

A number of wage subsidy schemes have been used but total expenditure has remained modest. These included: the Temporary Employment Subsidy and Recruitment Subsidy for School Leavers in 1975; the Small Firms Employment Subsidy in 1977; the Adult Employment Subsidy in 1978 and Young Workers Scheme (YWS) in 1982 (see Cook (2008a) for further details).

The various New Deal Programmes currently operating in the UK provide wage subsidies as one of the options available to participants. New Deal for Young People was introduced in 1998 for young people who are eligible for a wage subsidy of 60 pounds per week for 26 weeks if employed for 30 hours or more per week. A subsidy of 40 pounds per week is available for jobs providing 16 to 29 hours per week of work. Employers also qualify for up to 750 pounds for training costs. New Deal 25 plus attracts subsidies of 75 pounds for 30 hours or more and 50 pounds for 16 to 29 hours work.

### United States

Wage subsidies have not been a major expenditure item where tax credits to both employers and employees have been favoured. The Earned Income Tax Credit commenced in 1975 and has been expanded. The EITC reduces the tax liability for low income people.

The Targeted Jobs Tax Credit (TJTC) was replaced by the Work Opportunity Tax Credit (WOTC) and the Welfare-to-Work Tax Credit (WtWTC) in the late 1990s (OECD, 2000). WOTC is available to employers who hire members of families in receipt of public assistance for 9 of the previous 18 months and provides a subsidy of 40 per cent of the wage of those employed for more than 400 hours and 26 per cent for those employed between 120 and 400 hours (OECD, 2000). WtWC applies to those on public assistance for 18 months and provides a credit of 35 per cent for the first year and 50 per cent in the second year, for those employed for more than 400 hours (OECD, 2000).

In addition to direct wage subsidies and reductions in non wage costs, several other countries have schemes to make work pay that generally take the form of tax credits for earned income including the UK, Canada, Ireland, new Zealand, Finland, Belgium, France, the Netherlands and Denmark.

## **5. Self Employment**

The third demand side ALMP is the promotion of self-employment which is a component of the suite of ALMP in most OECD countries. Business start-ups are often encouraged through the payment of the equivalent of unemployment benefits for a period of time which can either be in the form of a lump sum or regular payments. Other supports include the provision of training in small business operations, preparation of business plans and assistance with obtaining finance. The rationale for this type of assistance is that successful business ventures generate employment for both participants and others as the business grows (Kelly *et al.*, 2001). In addition, such programmes constitute an attempt to overcome imperfections in financial markets because potentially viable businesses are frequently prevented from commencing due to the inability of unemployed people to obtain finance (Perry, 2006). Potential problems with self-employment programmes include the high probability that they will suffer from deadweight loss since many participants would have started a business in the absence of the programmes; there could be displacement effects; and small businesses in general have a low survival rate or and often provide low incomes (Kelly *et al.*, 2001; Perry, 2006). This section outlines the types of programmes that currently exist in OECD countries. In 1999 OECD participation in self-employment was between 0.4 and 4% of unemployed (Carling and Gustafson, 1999).

Business start-up programmes have been peripheral in the suite of ALMP, with expenditure generally reaching less than 0.1 per cent GDP and less than 10 per cent of total ALMP expenditure (Table 5). Spain recorded the largest self-employment expenditure of 0.19 per cent of GDP (over 25 per cent of total ALMP spending) in 1990 but by 2005 this had declined to 0.06 per cent. In 2005 Germany recorded the largest expenditure on self-employment programmes in the OECD, at 0.09 per cent of GDP but this represented less than 10 per cent

of ALMP expenditure. This section describes some of the self-employment programmes that have been implemented.

Table 5 Business start-up grants in the OECD, 1998 to 2005

	% of GDP				% of ALMP expenditure			
	1990	1995	2000	2005	1990	1995	2000	2005
Australia	0.01	0.03	..	0.01	3.70	3.57		2.22
Austria	0.00	0.00	0.00	0.01	0.00	0.00	0.00	1.61
Belgium	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Canada	0.00	0.02	..	0.01	0.00	3.51		3.13
Czech Republic	..	0.00	..	0.00		0.00		0.00
Denmark	0.07	0.08	0.00	0.00	5.56	4.06	0.00	0.00
Finland	0.01	0.04	0.01	0.02	1.02	2.53	1.12	2.25
France	0.02	0.04	0.00	0.00	2.53	3.05	0.00	0.00
Germany	0.00	0.02	0.04	0.09	0.00	1.47	3.31	9.28
Greece	0.06	0.02	0.02	0.00	12.00	5.56		
Hungary	..	0.00	..	0.00		0.00		0.00
Ireland	0.02	0.01	0.03	0.00	1.32	0.60	3.26	0.00
Italy	..	0.00	0.04	0.05		0.00		9.26
Japan	..	0.00	..	0.00		0.00		0.00
Korea	..	0.00	0.01	0.01		0.00	2.50	7.69
Luxembourg	0.00	0.00	0.00	0.00	0.00	0.00		0.00
Netherlands	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
New Zealand	0.04	0.01	..	0.01	4.82	1.41		2.56
Norway	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Poland	..	0.02	..	0.03		5.88		6.98
Portugal	0.02	0.03	0.01	0.00	3.17	3.61	2.04	0.00
Spain	0.19	0.01	0.04	0.06	25.33	1.23		7.69
Sweden	0.01	0.07	0.05	0.03	0.59	2.97	2.79	2.27
Switzerland	0.00	0.00	..	0.01	0.00	0.00		1.32
United Kingdom	0.02	0.01	0.00	0.00	3.28	2.17		0.00
United States	0.00	0.00	..	0.01	0.00	0.00		7.69

Source: (OECD, 2007; Employment Outlook, various years)

### Australia

The New Enterprise Incentive Scheme (NEIS) commenced in Australia in 1985, providing income assistance for 12 months and small business training for unemployed people to start a business. From 1990 management was contracted out to managing agents who assessed business viability, delivered training, and provided advice and mentoring.

NEIS was one of the few labour market programmes retained when the Howard Coalition government came to power in 1996. Responsibility for NEIS was transferred to the Job Network at its inception in 1998. Eligibility is restricted to those over 18 years and on an income support payment, mature aged jobseekers over 50 years, or retrenched persons covered by the Australian Government Labour Adjustment Package (DEWR, 2007). Secondary selection criteria stipulate that the business must be new, independent, commercially viable and not compete with existing businesses (DEWR, 2007). NEIS training consists of completion of the Certificate IV in Business (Small Business Management) that includes preparation of a business plan. In addition, NEIS participants receive ongoing mentor support and advice on finance, marketing and other business skills. NEIS participants make up a small proportion of the unemployed. Only 6,200 people commenced NEIS in 2005-06.

Two programmes have also been established to assist ATSI businesses. The Indigenous Self Employment Programme (ISEP) provides interest free loans, financial literacy training,

business advice and support. The Indigenous Capital Assistance Scheme (ICAS) has been providing access to commercial finance and professional mentoring services since 2004. Loans of between \$50,000 and \$500,000 are available for 3 years and incorporate interest rate subsidies and reduced application and establishment fees (DEWR, 2007).

#### Austria

Business Start-up Programme (UPG) commenced in 1998, allowing those claiming unemployment insurance or unemployment assistance to obtain counselling and business training and provided an allowance equivalent to benefits for 9 months.

#### Belgium

The 'loans without mortgage for unemployed persons' programme in Belgium provided access to loans at reduced interest rates (OECD, 1992). Eligibility was restricted to unemployed persons in receipt of unemployment benefits who continued to get unemployment benefit, assistance to obtain credit, and training.

#### Canada

In Canada the Self Employment Incentive Option (SEI) was available from the 1980s for those on unemployment insurance or social assistance who had viable business plans (OECD, 1992). The current programme, Self-Employment (SE) replaced SEI in 1992 and is delivered by Service Canada in some provinces and by provincial authorities in others (Service Canada, 2007b). Participants continued to receive Employment Insurance benefits for a maximum of 52 weeks with the possibility of top-up funding for living expenses and other costs of participation. Participants received payments for 52 weeks in lieu of unemployment insurance or social assistance, advice, and business finance, with a co-contribution of 25 per cent (OECD, 1992).

#### Denmark

Denmark has entrepreneurship subsidies that provided payments equivalent to 50 per cent of Unemployment Insurance for unemployed people who started their own business but the programme was abolished in 1998 (Jespersen, Munch and Skipper, 2004).

#### Finland

The Start up Allowance commenced in 1984 for those registered as unemployed, with a business plan and assessed as capable of self employment (OECD, 1992). Assistance included 50 per cent additional unemployment benefit for up to 15 months and business advice (OECD, 1992).

#### France

There is a long history of assistance for self employment in France. The ACCRE (Aide aux Chômeurs Créateurs ou Repreneurs d'Entreprises) programme commenced in 1979 and provided a solidarity allowance for 6 months, exemption from social security exemptions for 1 year and vouchers to cover 75 per cent of the cost of business counselling. Approval required that applicants were unemployed and eligible for unemployment benefit and had effective control of the enterprise (OECD, 1992). The programme was particularly large in the 1984-87 period and accounted for over 40 per cent of new enterprises in 1994 (Lohmann, Lubert and Müller, 1999).

A similar programme, Departmental Fund for Youth Initiative (FDU) was available for unemployed youth under the age of 25 (OECD, 1992). From 1997 all unemployed persons were eligible, as were recipients of the minimum re-insertion wage (RMI) and the single

parent allowance (API). Also from 1997 assistance was limited to exemption from social security contributions for 1 year (CESinfo, 1998).

### Germany

In Germany the Bridging allowance commenced in 1986 (Lohmann, Luber and Müller, 1999). The programme is available for the unemployed or those at threat of unemployment, and provides a grant equivalent to unemployment benefit for 6 months and a lump sum social security contribution (Kluve *et al.*, 2007). Since 2003 the unemployed can choose between bridging allowance or the 'Ich-AG subsidy' that lasts for 3 years. The subsidy is 600 Euros per month for first year, 360 for the second and 240 for the third, but is not payable if income exceeds 25,000 Euros per year (Kluve *et al.*, 2007).

### Greece

Business start-up assistance was made available in Greece for those aged 18 to 25 or long-term unemployed (OECD, 1992). Assistance was only provided for new businesses and higher rates of financial assistance applied in the manufacturing sector than in services.

### Ireland

The Back to Work Allowance Scheme (BTWAS) was introduced in Ireland in 1993. Unemployed people who started a business received 70 per cent of the previous level of welfare income for the first year, 50 per cent for the second year and 25 per cent for third year (CESinfo, 1998). Currently the Back to Work (Enterprise) Allowance provides 4 years financial assistance for business start-ups for the unemployed, sole parents and Disability Allowance recipients (FAS Training and Employment Authority, 2007).

### Italy

In the Southern regions of Italy since 1993 unemployed people aged 18 or over were eligible for assistance to establish a business (Caroleo and Mazzotta, 1999). For those registered as unemployed for at least 6 months, assistance included a 4 month training programme and financial assistance in the form of grants and loans for land, buildings and ongoing expenses such as rent, raw materials and financial charges. In addition, young people under 32 from all regions of Italy qualified for tax allowances when starting their own business.

### Netherlands

The Assistance to Self-employed decree (BBZ) commenced in 1985 and was amended in 1998. The scheme assists the unemployed through loans for working capital and income support for up to 18 months (CESinfo, 1998).

### New Zealand

The Enterprise Allowance commenced in New Zealand in 1990, and consisted of business training, business assessment and vetting and financial assistance to start a business (Perry, 2006) To qualify applicants had to be in receipt of an income-tested income support for 26 weeks. The original subsidy period of 26 weeks could be extended by negotiation. Currently Enterprise Allowance provides payments for up to 1 year for income support recipients (Ministry of Social Development, 2007a). In addition, business training and advice grants facilitate access to business skills training and preparation of business plans (Ministry of Social Development, 2007a).

### Sweden

Start-up grants commenced in 1987 for the unemployed, over 20, with an approved business plan and paid the equivalent of benefits for 6 months (CESinfo, 1998). The programme was

subsequently extended to include people at risk of losing their jobs and individuals in regional development areas (Kluve *et al.*, 2007).

### United Kingdom

The Enterprise Allowance Scheme started in 1983 paying the unemployed a weekly allowance for up to 12 months and by the end of the 1980s around one quarter of new businesses were established by previously unemployed people (Lohmann, Luber and Müller, 1999). Between 1983 and 1990 over half a million people were assisted by EAS making it one of the largest schemes in the OECD. The Business Start-up Scheme (BSUS) replaced the Enterprise Allowance Scheme in 1993 and provided an allowance of £40 for one year (CESinfo, 1998).

Despite this history, expenditure on business start-up schemes is currently insignificant in the UK, constituting less than 0.005 per cent of GDP. Under the New Deal, Self-Employment Provision offers unemployed people business training in preparation of a business plan for up to 8 weeks and an opportunity to undertake test-trading while continuing to receive benefits for 26 weeks (Speckesser and Bewley, 2006). In addition, there is an opportunity to take advantage of support for up to 2 years after programme completion.

### United States

Self-Employment Assistance (SEA) commenced in the US in 1994. It is a state-based programme that provided a weekly allowance and support services. However, it is not available in all states and programme details vary by state (CESinfo, 1998; Betcherman, Olivas and Dar, 2004).

## **6. Training programmes**

In contrast to other programmes there is a large variation in training programmes. Training programmes have been a major supply side intervention for several decades and usually comprise a combination of vocational and general education courses in an attempt to improve the skills and equip the unemployed for existing or future job vacancies. Several countries have also initiated training programmes and incentives to increase the skills of existing employees. This section reviews recent trends in expenditure on training programmes and programmes for the unemployed that have been implemented by various countries. In line with the convention of treating apprenticeships as part of the vocational education system (European Commission (EC), 2006) they are excluded from this analysis.

Expenditure on training programmes is higher in Scandinavian countries than other OECD countries (Table 6). In 2005 Denmark had the highest expenditure at 0.51 per cent of GDP, followed by Finland and Norway (0.37 per cent), Sweden (0.34 per cent) and Austria (0.33 per cent). In several countries, training programmes had expenditure levels below 0.05 per cent of GDP. These included Australia, the Czech Republic, Hungary, Japan, Korea, Mexico, and the Slovak Republic. Between 1998 and 2005, in line with the shift away from training associated with the 'work first' approach, expenditure declined significantly in Sweden (from 0.96 to 0.34 per cent of GDP), Denmark (0.74 to 0.51 per cent), Finland (0.53 to 0.3 per cent), Germany (0.44 to 0.25 per cent) and France (0.41 to 0.29 per cent).

Table 6 Training programme expenditure in the OECD, 1998 to 2005

	% of GDP				% of ALMP expenditure			
	1998	2000	2002	2005	1998	2000	2002	2005
Australia	..	..	0.04	0.04			10.8	8.9
Austria	0.21	0.25	0.27	0.33	45.7	48.1	48.2	53.2
Belgium	0.16	0.16	0.18	0.20	12.6	13.6	16.5	18.5
Canada	..	..	0.10	0.08			25.6	25.0
Czech Republic	..	..	0.01	0.01			5.6	4.0
Denmark	0.74	0.77	0.70	0.51		38.1	34.7	29.3
Finland	0.53	0.37	0.33	0.37	46.5	41.6	39.3	41.6
France	0.41	0.37	0.29	0.29	35.7	30.6	25.9	32.2
Germany	0.44	0.48	0.54	0.25	37.6	39.7	42.9	25.8
Greece	..	0.13	0.08	0.03				
Hungary	..	..	..	0.04				13.8
Ireland	0.25	0.22	0.22	0.24		23.9	28.6	38.1
Italy	0.26	0.23	0.22	0.20				37.0
Japan	..	..	0.04	0.04			13.8	16.0
Korea	..	0.07	0.05	0.04		17.5	25.0	30.8
Luxembourg	..	..	0.10	0.13			25.0	25.0
Netherlands	0.09	0.13	0.24	0.13	6.9	8.5	15.0	9.8
New Zealand	..	..	0.19	0.17			44.2	43.6
Norway	0.41	0.32	0.39	0.37		52.5	55.7	49.3
Poland	..	..	..	0.10				23.3
Portugal	0.23	0.22	0.17	0.29		44.9	28.8	42.0
Spain	0.15	0.15	0.14	0.17				21.8
Sweden	0.96	0.67	0.62	0.34	42.1	37.4	38.3	25.8
Switzerland	..	..	0.20	0.29			33.3	38.2
United Kingdom	..	0.15	0.13	0.09			25.5	18.4
United States	..	..	0.06	0.05			35.3	38.5

Source: (OECD, 2007; Employment Outlook, various years)

In 2005, training accounted for over one third of all ALMP expenditure in Austria, Norway, New Zealand, Portugal, Finland, the US, Switzerland, Ireland and Italy. The traditional importance given to training in Sweden has weakened in recent years. In 1998, 42.1 per cent of ALMP expenditure was devoted to training. By 2005 this had declined to only 25.8 per cent. Countries where little priority is currently given to training programmes included the Czech Republic (4.0 per cent of ALMP expenditure, Australia (8.9 per cent) and the Netherlands (9.8 per cent).

In conjunction with changes to the administration of unemployment benefit systems and the 'activation' policies pursued throughout OECD countries, many countries have made commitments to provide training places as a last resort for the unemployed who are unsuccessful in obtaining either subsidised or unsubsidised employment. This is often expressed as a duty to undertake training.

### Australia

The National Employment and Training (NEAT) scheme commenced in 1974 providing an allowance equivalent to the adult minimum award wage for full-time formal study and a smaller allowance for on the job training. NEAT guidelines were tightened in 1975 and eligibility was restricted to the unemployed and those at risk of unemployment who were registered with the CES, and there was greater emphasis on OTJ training. High levels of youth unemployment in the late 1970s provided the impetus for the Participation and Equity (PEP) programme. In the 1980s there were separate vocational training programmes for youth and

adults, the Youth Training Programme (YTP) and the Adult Training Programme (ATP). These programmes mainly consisted of training courses for groups. However, individuals could apply for approval to undertake an existing course. In the late 1980s these programmes were amalgamated into JobTrain and community based training was provided by the SkillShare network.

These arrangements were terminated abruptly in 1996 by the Howard government. Since the inception of the Job Network in 1998, decisions on access to training have become the province of Job Network agencies. In earlier contracts there was no quarantined funding to assist job seekers with training or other employment related needs. Job Network agencies could elect to pay for training from contract payments but there was no requirement to do so. More recently the Jobseeker Account can be accessed by Job Network agencies to pay for training for individuals and they can also use their own funds. Under the current system training courses are of much shorter duration than under JobTrain and are on a much smaller scale, comprising less than 9 per cent of total ALMP expenditure in 2005. In the 3 years to 2006 there were a total of 412,547 participants at an average cost of \$350 (DEWR, 2006). Another training avenue was provided from July 2002 through the issue of Training Credit vouchers of up to \$800 to unemployed people who completed Work for the Dole or Community Work.

### Austria

Austria is one of the few OECD countries to increase expenditure on labour market training in the recent past with expenditure increasing from 0.21 per cent of GDP in 1998 to 0.33 per cent in 2005 (see Table 6). In 2003, 83 per cent of ALMP participants were enrolled in training courses, encompassing vocational training and jobsearch assistance, which became relatively more important after 1999 (Kluve *et al.*, 2007).

From 2007 qualification course places were made available for young people who were not successful in securing an apprenticeship (European Commission, 2007). In addition, special qualification courses were established for early school leavers under the age of 24. The importance of increasing the skill level of the unemployed is recognised by the target of increasing the proportion of low skilled unemployed persons attending skill training courses from 28 per cent in 2004 to 36 per cent in 2006 (Republic of Austria, 2006). In 2006, 73,000 places were available for low skilled unemployed persons aged 25 to 50 and 96,000 places for youth and older workers (Republic of Austria, 2006). Between 2005 and 2007, 25,000 skills training places were made available to women, particularly those returning to the labour market (Republic of Austria, 2006). In addition, 41 per cent of unemployed people with a disability participated in training programmes in 2005 (Republic of Austria, 2006).

### Belgium

Training programme expenditure increased from 0.16 per cent to 0.2 per cent of GDP between 1998 and 2005, and the share of training expenditure in total ALMP expenditure increased from 12.6 to 18.5 per cent. Resources devoted to training programmes are comparable to those available for wage subsidies. In Belgium around two-thirds of training expenditure is devoted to training for the unemployed and the remainder assists those at risk of becoming unemployed (OECD, 2005a). The OECD reports that 7.2 per cent of the unemployed participated in training in 2002 but there were distinct regional variations with 2.1 per cent in Brussels, 6.2 per cent in Walloon and 8.7 per cent in the Flemish region (OECD, 2005a). The type of training varies according to the characteristics of the unemployed, with the most disadvantaged completing 'pre-qualifying' training prior to undertaking vocational training (OECD, 2005a).

In recent years specific measures have been introduced to improve the skills of the unemployed and address skills in demand. In 2002 unskilled youth who had not completed secondary education were encouraged to undertake training that would lead to a recognised qualification through the introduction of a training allowance (European Commission, 2007). The Regional Agreement on Employment in 2005 provided additional training places for skills in demand in an attempt to overcome bottlenecks in the economy and provided bonuses for training providers and employers who employed participants upon completion of the training (European Commission, 2007).

### Canada

Expenditure on training programmes in Canada was 0.08 per cent of GDP in 2005 and constituted a quarter of total ALMP expenditure (Table 6). Canada had various types of training programmes operating in the 1990s (Park *et al.*, 1996). Unemployment Insurance recipients could be exempted from looking for work under the Freepayer system but were required to pay course costs. Job Development courses were available for UI recipients classified as LTU (unemployed for 24 out of the past 30 weeks). Job Entry courses were available for women re-entering the labour market after an absence of at least 3 years, or youth with little previous work experience. Skill Shortages provided training in areas with current or anticipated skill shortages.

Skills Development provides financial assistance for Employment Insurance recipients to obtain training and are administered by federal and provincial governments (Service Canada, 2008). Assistance is provided on the recommendation of the Employment Counsellor and must be included in the individual's Employment Action Plan. While the programme is administered federally for some provinces, others operate their own programmes. For example, Alberta provides Occupational Training that consists of job specific skills and Integrated Training that combines vocational training with employability skills or English as a second language. Similarly, New Brunswick operates Training and Skills Development (TSD) for up to 2 years for regular training or academic upgrading, and up to 3 years for a co-operative training programme. The Targeted Initiative for Older Workers commenced in 2006 to assist workers aged 55-64 in areas with high unemployment and provided a range of assistance including upgrading skills (Human Resources and Social Development Canada, 2007).

### Denmark

Training expenditure as a share of GDP is the highest in the OECD (Table 6). However, training expenditure has declined from 0.74 per cent of GDP in 1998 to 0.51 per cent in 2005, and the relative share in ALMP expenditure declined from 38 per cent to 29 per cent between 2000 and 2005. Training covers a wide variety of courses with an average duration of 28 weeks and maximum duration of 2 years (Jespersen, Munch and Skipper, 2004). From 1983 education and training increased through the 'education offer scheme' (Lindsay and Mailand, 2004). The composition of courses has changed over time since educational programmes accounted for 30 per cent of participants in 1995 but had increased to 65 per cent by 2000 (Jespersen, Munch and Skipper, 2004).

In recent years the emphasis on training has been linked to the administration of benefits, particularly for youth. The 1996 special youth programmes introduced the right and also the obligation to undertake education for at least 18 months for youth under 25 and this was extended to age 30 in 2003 (de Koning *et al.*, 2004). From 2002 the unemployed could be offered education or training as part of an action plan. The duration of training could be up to 6 weeks in the first 12 months of unemployment for adults and in the first 6 months of unemployment for youth (European Commission, 2007). From 2003 youth under the age of

25 were to be offered an education or training place within 6 months of registration. These requirements were further strengthened with 'A new chance for all' in 2006 (European Commission, 2007). Youth aged 18-25, who had not completed education, were required to accept education or training as a condition of benefit receipt.

### Germany

There are 4 categories of training; vocational training, further training, retraining, and German language courses (Lechner, Miquel and Wunsch, 2005). Further training can be undertaken to update skills in line with technological change, facilitate career improvement or obtain qualifications. Full-time courses are generally restricted to a maximum duration of 1 year. Training programmes accounted for over a quarter of total ALMP expenditure in Germany in 2005 (Table 6). Expenditure fell from 0.54 per cent of GDP in 2000 to 0.25 per cent in 2005. Historically, training courses have been a major focus of ALMP. Lechner, Miquel and Wunsch (2005) point out that there were 600,000 participants in 1991 although this declined to 275,000 by 1997. The majority of participants in the early 1990s were located in the former East Germany and declined from around 2003 (Jacobi and Kluge, 2006).

The Hartz reforms impacted on the delivery of training programmes through the introduction of quasi-markets (Kluge *et al.*, 2007). Since 2003 job seekers with a training requirement have been issued with training credits or vouchers which they can then use to purchase training from approved providers (European Commission, 2007). Jacobi and Kluge (2006) claim that the Hartz reforms introduced a deliberate policy of cream skimming in order to maximise outcomes from training. In the same year there was an attempt to stave off future skill shortages by offering a training place to every young person willing and able to work. In 2007 older workers were encouraged to enhance work skills through the provision of training vouchers to employees over 45 working in companies with less than 250 employees (European Commission, 2007).

### Sweden

Labour market training (AMU) in Sweden consists of 2 distinct strands, vocational and non-vocational. The relative importance of these has changed over time as has the relative importance of labour market training as a component of ALMP policy. Originally labour market training was mainly vocational but the emphasis shifted to general education and language courses for migrants (Calmfors, Forslund and Helmström, 2002). According to (Anxo and Niklasson, 2006), in an attempt to increase the skill level of the labour force there was an increase in the training share of ALMP in the 1990s. Training places increased from an average of 40,000 participants per month in the 1980s, to 85,000 in the early 1990s, before declining to 31,000 or 1 per cent of the labour force after 1992 (Richardson and Van den Berg, 2002). Participation in training courses could be used to requalify for unemployment benefits until 1990 (Calmfors, Forslund and Helmström, 2002).

Another innovation in the 1990s was the establishment of specialised training centres. In 1995 computer activity centres were established and in 1998 the Swit IT programme was launched in conjunction with the Confederation of Swedish Industry (Calmfors, Forslund and Helmström, 2002).

As Table 6 above shows, Sweden devoted almost 1 per cent of GDP to training programmes in 1998 and this represented 42 per cent of total ALMP expenditure. The absolute and relative commitment to training has declined in recent years. Training expenditure had declined to 0.34 per cent of GDP by 2005 and represented only a quarter of ALMP expenditure. Moreover, from 2007 there has been a substantial reduction in training programme places, from 143,000 in 2006 to a projected 64,000 in 2008. In addition, computer activity centres

and employment training in the education system have been abolished (European Commission, 2007).

### United Kingdom

By European standards training programme expenditure in the United Kingdom is low. It amounted to only 0.09 per cent of GDP in 2005, considerably lower than in 2000 (Table 6). Training programmes have varied in importance in the United Kingdom and have been used for a variety of purposes. Jackson and Hanby (1982) claim that the expansion of Training Opportunities by 35,000 places served the dual purpose of increasing skills and reducing the workforce.

As has been noted in relation to other countries, training programmes have become an integral component of benefit administration and compliance. From 1988, 16 and 17 year old school leavers could obtain benefits if they participated in training courses (Lindsay and Mailand, 2004). Training is one of the options available under the New Deal programmes. Since 2004 all unemployed clients were screened by Jobcentre Plus by 6 months to determine whether there were any skills gaps in literacy, language and numeracy. They were then referred for assessment and placement in appropriate programmes.

The government has adopted a wide-ranging approach to skills development that includes those inside and outside the workforce. In 2001 Learning and Skills Councils were established to fund further education (European Commission, 2007). In recent years there has been an increasing effort to include employers in the design and delivery of training. The national 'Skills Alliance' provides employers greater control over publicly-funded training in addition to provision of free tuition for adults to attain basic qualifications (European Commission, 2007). The Ambition Programme offers training to long-term or disadvantaged benefit recipients. Training consists of a combination of technical training and work placement and is restricted to skills in demand in the construction, IT, Energy and Health industries.

### United States

According to Lafer (1999) job training was a minor component of labour market programmes in the 1960s and 1970s but assumed greater importance from 1982 when the Reagan administration introduced the Job Training Partnership Act (JTPA) to replace the Comprehensive Employment and Training Administration (CETA) that consisted mainly of public sector job creation. The switch to supply-side policies was justified by the contention that there were sufficient job opportunities "if only workers were qualified to fill them" (Lafer, 1999: 140).

Funding for JTPA was distributed to the states in the form of block grants and training was contracted out to private providers who were paid on the basis of employment outcomes (Lafer, 2002). Training providers were free to determine the types of courses and content. Although the switch from job creation was justified on the basis of skill shortages, these shortages were predominantly in highly skilled occupations rather than positions that could be filled by graduates from "short term, low cost" courses (Lafer, 1999: 146). Training providers selected the most employable applicants in a bid to maximise job placements and outcome payments, a process commonly referred to as cream skimming.

The consequence of these arrangements was that representation of disadvantaged groups declined significantly. Reforms to JTPA in 1992 were designed to reduce cream skimming and re-focus assistance to those with the greatest need, particularly youth. In addition to being low income, 65 per cent of participants had to be facing one or more employment barrier/s (Lafer, 2002). Content of training programmes shifted over time, from concentration on

vocational training, to general education, then to attitudinal training to instil characteristics desired by employers such as discipline and loyalty (Lafer, 1999).

JTPA included adult and youth training as well as assistance such as Summer Youth Employment, dislocated workers, Job Corps, Indian and Native Americans, Migrants and Farmworkers. Participation in training programmes has varied. In the mid 1980s there were over 1 million in training but this fell substantially in 1993 as states began turning to ‘work first’ strategies (Strawn, 1998; Lafer, 2002). In 1999, 383,000 people participated in adult training and 116,000 in youth training (Lafer, 2002). After 1996 many states abandoned large scale training programmes favouring workfare schemes that “often explicitly ban education or training as an acceptable activity” (Lafer, 1999: 148).

JTPA was replaced by the Workforce Investment Act (WIA) in 2000 which retained many of the characteristics of JTPA. However, the quota for those with employment barriers was removed entirely and low income recipients were to have ‘priority’ for training causing Lafer to predict an increase in creaming (Lafer, 2002). He summarised the 3 major components of WIA. First, core services consist of a brief skills assessment and job search assistance. Then, intensive assistance provides a detailed skills assessment or training in punctuality or interviewing skills. The final component is training and can include remedial education, occupational skills or ‘job readiness training. Individual states are free to determine the funding mix between the three categories.

## **7. Findings of ALMP evaluations - who do they help and why?**

This section outlines ALMP evaluation methods, discusses issues that impact on the veracity of evaluations and reviews the international evaluation literature to ascertain which programmes have proven to be effective in assisting the unemployed to return to work either by stimulating the demand side of the economy or by increasing employability through education and training.

ALMP seek to address several, and sometimes conflicting, objectives. Therefore evaluations have studied a variety of issues including: costs, effectiveness, efficacy, net impact, efficiency, sustainability and issues of programme implementation (Dar and Tzannatos, 1999). In general there are 2 main programme effects of interest to researchers. Macroeconomic evaluations provide a superior measure of the general equilibrium effects (European Commission (EC), 2006). Macroeconomic evaluations seek to determine whether programmes provide a net social benefit by increasing aggregate output, stimulating job creation, reducing the unemployment rate or increasing the employment to population ratio. In addition, they may produce estimates of displacement, substitution and deadweight losses that reduce the net social benefit. As mentioned previously, deadweight loss occurs when participants gain jobs that they would have obtained without programme assistance, while substitution refers to participants being employed at the expense of others. However, there are a number of impediments to macroeconomic assessments. Data restrictions mean that there are often only a small number of observations (European Commission (EC), 2006). In addition there are technical problems such as multicollinearity of explanatory variables and simultaneity bias due to the endogeneity of some variables (European Commission (EC), 2006).

Microeconomic effects compare programme participants with non participants with similar characteristics to identify whether programme participation increases earnings, employment rates and speed of transition out of unemployment, or reduces reliance on social welfare programmes (Heckman, Lalonde and Smith, 1999). While this may result in findings of significant positive impacts which may not translate to the macroeconomic level,

nevertheless, as Webster (1998) points out, positive macroeconomic effects are unlikely in the absence of positive microeconomic effects.

There are several issues that must be addressed in the process of evaluating the performance of ALMP. These relate to the characteristics of the programme under investigation, objectives, selection process, and the timeframe for evaluation. Evaluation methods may be either scientific or non-scientific. Experimental scientific evaluations involve random assignment to treatment or non-treatment groups. Alternatively, and more frequently, evaluations are non-experimental since participants are not randomly selected (Dar and Tzannatos, 1999). Non-scientific evaluations rely on administrative data rather than random assignment to control groups to assess programme effectiveness and are therefore more limited. A major difficulty arising from non-experimental design is the likelihood of selection bias since the most motivated, and therefore more employable, may self-select to many programmes or be selected by providers seeking to maximise positive outcomes rather than to provide assistance to those who would derive the most benefit from participation (Webster, 1997).

There are a number of other difficulties relating to ALMP evaluations that may affect outcomes. First, many evaluations are conducted by the government department responsible for programme implementation rather than independent researchers, and the data is not publicly available. Second, evaluations that rely on surveys may be adversely affected by response bias. Lack of comprehensive administrative data is a third factor that may impact on the ability to select matched control groups. Heckman, Lalonde and Smith (1999) also caution that decentralisation may mean that programmes differ between regions, and from the national programme specifications. Another important issue relates to the tendency for evaluations to estimate mean effects that do not provide comprehensive information on the impact of individuals with different personal characteristics or those living in different labour markets. Thus, regional effectiveness may be disguised because outcomes by region are not reported. Finally, evaluations do not take into account other social benefits of effective programmes such as reductions in crime, substance abuse, or child welfare services, nor do they account for social costs associated with reduced leisure time, especially for women where the “cost associated with their time away from home may be significant” (Heckman, Lalonde and Smith, 1999: 2044-45).

The evidence on the efficacy of ALMP as a tool for reducing unemployment or increasing earnings is often contradictory, confusing or inconclusive. This section attempts to bring together some of the evidence from evaluation studies acknowledging that “[t]here are also severe problems of interpretation with much of the empirical macroeconomic research and a lot of conflicting evidence from the microeconomic studies” (Calmfors, 1994: 36).

This section reports on the international programme evaluation literature, presenting assessments of various programmes over recent decades. Evaluations have included a range of dependent variables, commonly employment and earnings, and the coverage of studies has ranged from a single programme in one country to comparisons between the efficacy of various types of programmes within or between countries. It is important to note that programmes have differential impacts on different demographic groups, between different locations and over time (Heckman, Lalonde and Smith, 1999), and the design of programmes is a critical ingredient for determining net impact (Fretwell, Benus and O'Leary, 1999; OECD, 2006d). In addition, evaluations are affected by the econometric techniques used and the particular characteristics of programmes. These factors make generalisations about the efficacy of individual programmes difficult and results in contradictory findings and a situation where there “seem to be as large differences in results within programme categories

as between them” (Calmfors, 1994: 32). Moreover, the small scale of programmes in most countries demonstrated by the generally low expenditure and small programme places, and targeting of the most disadvantaged job seekers mean that programmes are able to deliver only modest gains at best (Heckman, Lalonde and Smith, 1999).

## 7.1 Jobsearch

In line with OECD recommendations, most countries have intensified jobsearch requirements for the unemployed and, in many cases, other workless groups. Jobsearch has become the cornerstone of ‘activation’ policies with requirements documented in work plans or agreements between jobseekers and the PES and regularly monitored for compliance (Brandt, Burniaux and Duval, 2005). The rationale for intensified jobsearch requirements is that they improve matching efficiency and also represent a form of compliance.

Jobsearch and employment assistance have been found to be beneficial for disadvantaged jobseekers and as Dar and Tzannatos (1999: 20) point out, “it costs little to provide and is not any less effective than alternative ALMP”. Job search assistance in Austria and Sweden was found to have a positive impact on employment and income, while evidence from the United Kingdom in the late 1980s found positive short-run effects but no long-term effect on employment (Dar and Tzannatos, 1999). Fay (1996) concludes that job search training and counselling helps most unemployed and in particular women and sole parents. However, Dar and Tzannatos (1999) contend that positive outcomes are contingent on favourable labour market conditions and the programme is generally not beneficial for youth.

## 7.2 Public Sector Job Creation (PSJC)

Public Sector Job Creation schemes were used extensively in the 70s and 80s but have declined in popularity more recently as demonstrated in the previous section (European Commission (EC), 2006). These programmes have been criticised due to the possibility of displacement and substitution effects (Dar and Tzannatos, 1999; Roy and Wong, 2000). The total effect of PSJC programmes is composed of 2 components. There is a possibility of crowding out in the private sector if PS jobs result in wage inflation. However, this effect is countered by the increase in matching efficiency due to the maintenance of existing skills and development of new skills by PSJC participants (European Commission (EC), 2006). Roy and Wong (2000) contend that crowding out effects are unlikely, because job creation programmes are targeted to the unemployed and are in activities that do not compete with the private sector.

Assessments of the usefulness of PSJC for improving employment and income outcomes for participants are mixed. The EC reports that the evidence suggests that such programmes “are not cost-effective and could ultimately have a very limited impact after consideration of general equilibrium effects” (European Commission (EC), 2006: 127). Some assessments have found that PSJC were not successful in reducing the level of unemployment (Brodsky, 2000; European Commission (EC), 2006). Some analysts conclude that PSJC schemes can have some positive short-run effects but participants were less likely to be in unsubsidised employment after completion, and the programmes do not reduce long-term unemployment significantly (Dar and Tzannatos, 1999; Betcherman, Olivas and Dar, 2004).

The evidence on relief work from a survey of Swedish ALMP experience was generally negative regardless of the period covered by evaluations (Calmfors, Forslund and Helmström, 2002). One study found that participation in relief work in 1984 had no significant impact on labour market status in 1987. A study of outcomes for youth and displaced workers who participated in relief work in the late 1970s and early 1980s examined the probability of

securing a job both in the current and subsequent spells of unemployment. It found that the probability was reduced in both instances. Also an evaluation of employment status 1 year after participation in relief work in the mid 1990s found no positive effect. However, a study of youth who participated in relief work in the early 1980s found a significant positive effect for employment duration. Results therefore appear to be contingent on participant groups and economic circumstances.

Other studies have found PSJC programmes to be successful in assisting participants to secure employment (Balkenhol, 1981; Calmfors, Forslund and Helmström, 2002). Balkenol (1981) reported that PSJC programmes operating in the 1970s in Belgium, Canada, Denmark, Germany, the Netherlands, Norway the UK and US achieved employment outcomes for between one-third and half the participants within a few months of completion and contends that the low level of wages posed no problem for wage inflation in the private sector. Roy and Wong (2000) and Betcherman, Olivas and Dar (2004) concur with this assessment, pointing out that PSJC programmes in Canada were useful counter-cyclical tools. O'Connell (2002:67) summarises the findings of international evaluations of PSJC schemes, by observing that "positive employment effects have been found for specialised schemes designed for particular groups". Betcherman, Olivas and Dar (2004) report that participants in developed and transition countries were usually no better off than non-participants with the exception of Slovakia, Slovenia, Ukraine and Macedonia where public works programmes delivered positive impacts on transition to employment. A study of job creation in Austria in the early 1990s found that subsequent employment and income improved after participation (Dar and Tzannatos, 1999).

PSJC programmes have been recommended for certain groups and in certain circumstances. Several analysts have pointed to the valuable contribution of PSJC and positive outcomes that have been achieved by LTU and disadvantaged groups (Fay, 1996; Webster, 1997; Dar and Tzannatos, 1999; Brodsky, 2000; Calmfors, Forslund and Helmström, 2002; O'Connell, 2002). In addition, Roy and Wong (2000) contend that the experience in Canada showed that wage inflation was contained since the schemes were targeted to the unemployed and the activities were not in competition with the private sector. Brodsky also contends that the design of PSJC programmes has improved in recent years due to the incorporation of needs analysis, skills training, job search assistance and more attention to local labour market requirements (Brodsky, 2000). Moreover, in countries with severe unemployment problems it is possible to create jobs quickly to "partly compensate for the effects of cyclical economic downturns when aggregate demand is depressed and there are few vacancies" (European Commission (EC), 2006: 126).

Evidence on the efficacy of public sector job creation programmes is mixed. PSJC is usually seen to assist the most disadvantaged jobseekers such as the very long-term unemployed. Although PSJC programmes have been criticised as low productivity jobs due to requirements designed to minimise substitution effects, they enhance the skills and employability of the labour force, facilitating low inflation economic growth.

### 7.3 Wage Subsidies to the private sector and self-employment grants

Wage subsidies have been found to be one of the most effective labour market programmes in terms of increasing employment outcomes but have been associated with large deadweight and substitution effects (Fay, 1996; Gerfin, Lechner and Steiger, 2002), so that net employment effects are small (European Commission (EC), 2006). Surveys of self-employment or micro-enterprise development schemes have found that although these schemes have low take up rates, they have positive impacts on employment and earning prospects for a small group of the unemployed, who are usually relatively well educated

prime aged adults (Fay, 1996; Dar and Tzannatos, 1999; Betcherman et al., 2000). These programmes are associated with high deadweight loss and displacement effects (Dar and Tzannatos, 1999; European Commission (EC), 2006). In addition, there is a high business failure rate (Dar and Tzannatos, 1999; Betcherman *et al.*, 2000), with around one-third to half of businesses closing within a year (Dar and Tzannatos, 1999). Fay (1996) also stresses that motivation and having a specific business idea are critical for success.

In a study of self-employment grants in Poland, Hungary and the Czech Republic, Fretwell, Benus and O'Leary (1999) found that there were positive impacts on employment in all 3 countries and the programmes assisted males and females who had differing lengths of unemployment. While earnings impacts were positive in Poland and the Czech Republic they were negative in Hungary. Perry (2006) evaluated the Enterprise Allowance in NZ and detected beneficial effects both in the short-term and after 2 years.

Betcherman *et al.* (2000) surveyed 22 evaluations of wage subsidies and found that these programmes were of assistance to the LTU and sole parents, and cited an Australian study that net impacts were about 15 per cent (see the following section for more information on Australia). Dar and Tzannatos (1999) examined 18 evaluations of wage subsidy programmes and concluded that they are unlikely to have a positive impact on subsequent employment or earnings. An exception was the Targeted Job Tax Credit in the US in the mid 1980s which had a significant positive short-term impact on earnings in the first year, although this dissipated quickly and there was no long-term impact. Job subsidies under the Job Training Partnership Act (JTPA) in the US had significant positive impacts on earnings for women but not for men.

Kluge and Schmidt (2002) surveyed wage subsidies in Europe. Employment outcomes were enhanced by participation in wage subsidy programmes in Denmark between 1983 and 1990 and in France between 1986 and 1988. However, participation in wage subsidy programmes in Poland between 1992 and 1996 produced no employment effect for women and negative impacts for men. Gerfin, Kechner and Striger (2002) evaluated the TEMP wage subsidy programme in Switzerland and found a positive treatment effect, especially for the long-term unemployed, and that participation in the programme reduced the duration of unemployment benefit payments. An evaluation of wage subsidies in Sweden in the 1990s found employment enhancing effects (Calmfors, Forslund and Helmström, 2002). Similarly a study of on the job training for Swedish youth found that it produced positive results (Calmfors, 1994).

Fretwell, Benus and O'Leary (1999) examined outcomes for wage subsidies in Poland, the Czech Republic and Hungary in the 1990s. There were positive employment effects in Poland and the Czech Republic although these were not lasting in the latter. Participation in wage subsidies produced negative effects in Hungary. They found that males and females benefited, although females reaped the largest benefits in the Czech Republic. The programmes delivered positive results for all age groups and those with lower levels of education benefited the most.

Despite the large deadweight and substitution effects associated with wage subsidies, Fay (1996) makes the point that this is not a major policy issue since one of the purposes of these programmes is to shuffle the job queue which delivers equity and labour market efficiency gains. By targeting the LTU, deadweight loss can be reduced and displacement can be ameliorated if jobs in areas of excess demand are targeted (Fay, 1996). The major beneficiaries of wage subsidy schemes are the LTU and women re-entrants (Fay, 1996; Betcherman *et al.*, 2000).

Calmfors, Forslund and Helmström (2002) surveyed evaluations of the Swedish experience to compare performance of wage subsidies and self-employment schemes. Wage subsidies

enhanced employment outcomes for participants but were accompanied by displacement effects. A comparison of self-employment grants and recruitment subsidies found that self-employment grants yielded longer durations of employment. Businesses established using self-employment grants were found to have similar survival rates to other new enterprises and higher earnings. Carling and Gustafson (1999) examined the relative effectiveness of self-employment (SEMP) and subsidised employment (SUBE) in Sweden in the late 1990s and found self-employment to be more successful in terms of a lower incidence of returning to unemployment for those entering the 2 programmes June 1995 to December 1996. They compared post-programme employment duration until re-unemployment and found that the risk of becoming unemployed again was twice as high for the SUBE programme as SEMP.

Wage subsidies are generally regarded as effective for disadvantaged jobseekers such as the long-term unemployed and women re-entering the labour force but are subject to large substitution and displacement effects so that net employment benefits are much smaller than employment outcomes suggest. However, these programmes retain an equity component since they increase employment outcomes for disadvantaged jobseekers.

#### 7.4 Training programmes

Training programmes are the most widely used and diverse component of ALMP, incorporating general education and vocational skills training with durations lasting from a single day to several months. Considering the diversity within this category of ALMP and the targeting of different groups it is not surprising that evaluations report mixed results. The evidence on the effectiveness of training programmes is mixed with macroeconomic evaluations finding that training programmes are more likely than other ALMP to have a positive impact on aggregate labour market outcomes while microeconomic evaluations often report mixed or insignificant results (European Commission (EC), 2006). Much of the literature stresses that gains for individuals are dependent upon the particulars of the programme and characteristics of participants. In general, training programmes are found to be more effective for women and of less benefit to men, while disadvantaged youth rarely benefit (Fay, 1996; Martin and Grubb, 2001). Analysts have concluded that training programmes are more effective if they are conducted on a small scale, designed to provide specific skills to targeted groups and conducted in close partnership with local employers (Calmfors, 1994; Dar and Tzannatos, 1999). In addition, training should be certified and qualifications gained should be recognised in the labour market.

In a survey of 23 evaluations from different countries Dar and Tzannatos (1999) concluded that training programmes have only small positive impacts, and performance is highly dependent on the state of the economy. They contend that training programmes are no more successful than job search assistance, although they make the point that these programmes are not necessarily substitutes. Studies that measured employment impacts generally found that there were increased employment outcomes and females benefited more than males. In Ireland in the mid 1980s employment outcomes were 16 per cent higher for participants than the control group but the impact fell to 7 per cent 1 year later. Other studies in the 1980s found no significant employment impact in the Netherlands, while a Canadian study found that employment outcomes improved for females and deteriorated for males. In the 1990s a UK study found that employment outcomes improved by 3 per cent after 1 year and 22 per cent after 3 years. Also in the 1990s, employment outcomes improved by 6 per cent in Hungary and 10 per cent in Poland. In Hungary there was no impact on earnings. In contrast, there was evidence of increased earnings in Poland and women received larger increases than men. In the US several studies measured the impact of programme participation on earnings

and found mixed results; some studies found modest increases in earnings, others found that women benefited but men did not.

According to Lafer (1999) the Job Training Partnership Act (JTPA) in the US had very modest effects on earnings. The largest gains accrued to women who earned around 15 per cent more than non-participants, but increased earnings were insufficient to lift them out of poverty. Youth earned less than non-participants. In 1998-99, 60 per cent of adult participants and 45 per cent of youth were employed 3 months after completion (Lafer, 2002).

Kluge and Schmidt (2002) survey evidence on training programmes in Europe in the 1980s and 1990s. Training programmes in Sweden between 1987 and 1992 were found to have zero or negative effects on earnings. Training and retraining programmes in East Germany between 1990 and 1994 were found to have negative effects on employment, earnings and career prospects in the short-term and no long-term effect. Positive impacts on employment rates and reductions in unemployment were found to accrue to training programme participants in Poland from 1992 to 1996, while there were also positive effects on job finding rates from programmes in the Slovak Republic in the 5 years to 1998.

Richardson and Van den Berg (2002) evaluated the employment outcomes for labour market training (LMT) participants in Sweden between 1993 and 2000 and found a very large positive effect immediately after completion. However, they emphasised that there was no effect if the outcomes were measured from programme commencement, due to locking-in effects. Calmfors, Forslund and Helmström (2002) cite evidence from a number of evaluations of Swedish training programmes. Evaluations from the early 1980s generally report positive employment and / or income effects. An evaluation of the re-employment probability associated with future unemployment spells for youth participating in LMT in the early 1980s found positive effects. In contrast, a study of the duration of unemployment for this same group found there was no significant effect. Positive employment and employment growth effects were found for LMT participants in 1981.

Generally studies of LMT outcomes in Sweden in the early 1990s find insignificant or negative effects. In this period the economy was in a severe recession and there was rapid expansion of LMT in Sweden in 1990s occurred without sufficient infrastructure (Calmfors, Forslund and Helmström, 2002). LMT participation for those aged 20-24 at the time of participation in 1992-93 were found to have significant negative outcomes in terms of income and the probability of obtaining a job. A study that looked at income 1 year and 3 years after participating in LMT in 1989-1991 found negative income effects at the 1 year mark but insignificant effects 3 years after training. Similarly an evaluation of participation from 1994 to 1999 revealed significant negative effects on employment for the first 30 months then insignificant effects. However, this study also found a negative effect on employment duration.

However, several studies identified significant positive employment effects in the 1990s. An evaluation of adult LMT participation in 1996 found a significant positive employment effect 1 year after the programme, while participants in 1998-99 obtained significant large positive effects 6 months after the programme (Calmfors, Forslund and Helmström, 2002). Specialist courses had mixed results: computer activity centres did not produce significant employment outcomes in 1996; however Swit IT courses in 1999 produced positive results. Calmfors, Forslund and Helmström (2002) conclude that LMT should be small-scale in periods of deep recession and should generally be more pro-cyclical.

Employment outcomes for participants of training programmes are greatly influenced by the prevailing economic conditions, with more positive outcomes achieved in buoyant labour markets. Results vary according to the target group and the content and quality of the training.

In general, training courses are more successful for women, particularly those returning to the labour market. Training programmes are less successful for men and youth, particularly those with low levels of educational achievement.

## 7.5 Comparisons of ALMP performance across programmes

Gerfin, Lechner and Steiger (2002) examined the performance of ALMP in Switzerland in the late 1990s. They found that 1 year from commencement, subsidised jobs (TEMP) in the private sector performed better than any other programme and 1 year after commencement 52 per cent of TEMP participants were employed compared to 41 per cent of the control group. The performance of training programmes varied according to the type of training. Participants in computer courses, further vocational training and other training courses recorded superior employment outcomes to a matched control group. Conversely, participants in basic courses and language courses achieved lower employment outcomes than the control group, as did participants in job creation schemes in both the public.

A comparison of outcomes for TEMP subsidised jobs in the private sector with non-profit employment (EP) demonstrated that TEMP was more successful (Gerfin, Lechner and Steiger, 2002). While neither programme was effective for the most employable job seekers, both programmes produced positive outcomes for the long-term unemployed. However, TEMP employment outcomes were around 9 per cent higher than EP and TEMP reduced unemployment by 1 month per year of unemployment duration. They conclude that there are signalling effects attached to TEMP and both programmes have positive human capital effects.

Swedish ALMP have been the focus of several evaluations. Sianesi (2002) assessed the impact of programmes for unemployed adults in the 1990s for a period of 5 years from programme commencement. Labour market training, workplace introduction (API), work experience placement (ALU), relief work, trainee replacement, and employment subsidies were all found to have significant negative employment effects in the short-run due to lock-in effects. Employment subsidies were the only programmes to have a positive effect in the longer-run achieving a net impact of 40 per cent immediately after programme completion. However, Sianesi (2002) also acknowledges that there are large deadweight effects for wage subsidies. API and trainee replacement achieved outcomes in line with non-participants. In contrast, labour market training, ALU and relief work had a negative impact for 1.5 years, 3 years, and over 4.5 years respectively. Afterwards, the impact of these programmes was not insignificant. Sianesi (2002) concludes that, with the exception of wage subsidies, participants would have been better off continuing job search rather than participating in the other programmes.

Carling and Richardson (2004) examined outcomes from ALMP in Sweden in the 1990s. They conclude that programmes providing subsidised work experience and training provided by firms had better outcomes in reducing unemployment duration than formal training. While vocational training was more expensive and achieved inferior employment outcomes it is less likely to suffer from displacement effects than subsidised employment (Carling and Richardson, 2004).

Similarly, O'Connell (2002: 65) found that in Ireland in the mid 1990s employment probabilities 2 years post-programme demonstrated that "programmes with strong linkages to the labour market are more likely to improve the job prospects of participants than those characterized by weak market linkages". In a buoyant labour market, strong positive effects on employment outcomes were found for Employment Subsidies and Specific Skills Training, weak positive results for General Training and no effect for Direct Employment programmes.

Jespersen, Munch and Skipper (2004) examined employment and earnings effects of private job training (subsidised employment), public job training (job creation), classroom training and residual programmes for unemployment beneficiaries in Denmark in the late 1990s. All programmes were found to have lower employment outcomes in the initial period due to locking-in effects. Private job training became significantly positive with a net impact of 10 per cent after 5 quarters, public job training became positive after 20 quarters, classroom training delivered positive results of between 5 and 10 per cent after 20 quarters, and residual programmes suffered from severe locking-in effects, recording positive impacts after 4 years. Graverson's (2004) investigated the transition to employment for Danish welfare recipients also found initial locking-in effects for all programmes and found that subsequently outcomes were better for private sector employment, public sector employment and finally, classroom training. A possible explanation for the different ordering of programme effectiveness between these studies is that the Graverson study deals with welfare recipients who are likely to consist of a higher proportion of disadvantaged job seekers.

Dahl and Lorentzen (2005) evaluate the effect of participation in employment programmes (PSJC) and Training / Qualification programmes in Norway in the 1990s. They find that, on average, employment programme participants had lower earnings than the control group. However, they found evidence of positive effects for a subgroup that was in the middle range of employability. They concluded that those with the best chance of getting a job and the most disadvantaged who were most distant from the labour market were not likely to benefit from participation. Training programmes had a positive but modest impact on earnings for the 4 years considered in the study. While training programmes were found to be of benefit to all participants, Dahl and Lorentzen (2005) caution that it can not be concluded that training programmes perform better than employment programmes since the characteristics of the participants in the 2 programmes are very different.

A comparison of the off-benefit outcomes for welfare recipients participating in social employment (job creation) and vocational training programmes in Belgium found that vocational training achieved better results (Cockx, 2000). Cockx (2000) contends that the reason for the failure of the social employment programme was the perverse incentives for the local authorities who used the participants to provide social services and therefore had no incentive to place them in regular employment. The programme provided jobs requiring few qualifications and there was no training component. Training participants recorded a decrease of 27 per cent in their exit from benefit receipt during participation reflecting locking-in effects. However, in the post-programme period their exit rate increased by a factor of 1.62 per cent.

## 7.6 Programmes for special groups

Most analysts conclude that ALMP participation provides few benefits for youth (Calmfors, 1994; Webster, 1997; Dar and Tzannatos, 1999; Betcherman *et al.*, 2000; Martin and Grubb, 2001). From a survey of 7 evaluations including classroom training, on the job training and job search assistance, Dar and Tzannatos (1999) concluded that ALMP participation rarely has any effect on employment probability or earnings. A Canadian study found outcomes improved if training occurred in enterprises rather than in classrooms and the trainee stayed with the firm after training (Dar and Tzannatos, 1999). Evidence from the US indicates that programme participation is ineffective for youth, particularly those under 21 who have not completed high school (Kluve and Schmidt, 2002). In contrast to the usually bleak assessment of youth programmes, a study of the workplace training programme in the private sector in France in the mid 1980s found positive effects, which were attributed to vocational and specific training components (Kluve and Schmidt, 2002).

Swedish studies have found negative employment and earnings effects for LMT and the youth practice programme (Calmfors, Forslund and Helmström, 2002; Larsson, 2002). Forslund and Skans (2006) found that participation in youth labour market policies reduced unemployment duration but had no long-term impact. They evaluated the Youth Guarantee (YG) against programmes provided by the PES, labour market training (LMT) and work practice (WP) in Sweden between 1999 and 2003. YG is characterised by longer PES registration, slower exits to jobs, lower future income and employment and higher take-up of social assistance. A direct comparison of LMT and WP demonstrates that WP achieves more exits to jobs and less PES registration. However, LMT has superior outcomes in terms of both employment and income in the second year after programme entry. Interestingly, they conclude that decentralising responsibility to the municipal level from the PES has “reduced programme effectiveness in promoting transitions to jobs” (Forslund and Skans, 2006: 19).

The balance of international evidence suggests that women derive greater benefit from ALMP participation than men (Calmfors, 1994; Webster, 1997; Betcherman *et al.*, 2000; Martin and Grubb, 2001). Evaluations have found women benefit from formal and on the job training and job search assistance, particularly those re-entering the workforce and in the case of job search assistance, sole parents.

Bergemann and van den Berg (2007) investigate the effect of strategies, including skill-training, monitoring and sanctions, job search assistance and employment subsidies, on employment and income of adult women in Europe. Results indicate that, in general, ALMP participation has a positive impact for women and the impact is larger than for men, especially “in economies with a relatively low female labor force participation” (Bergemann and Van den Berg, 2007: 15). In addition, they found that job creation programmes in economies with high labour market participation provide greater benefits for women than men.

## **8. Conclusion**

In general there has been an increased concentration on ALMP in the past few decades in line with the recommendations of international organisations such as the OECD and EU (see Table 2). During this time the trajectory of ALMP has shifted from an initial concern with job creation as the traditional postwar response to unemployment that was seen to emanate from demand deficiency. Over time public sector job creation programmes became relatively less important in the suite of ALMP as the diagnosis of the cause of unemployment shifted from recognition of inadequate demand to the proposition that unemployment was rooted in supply deficiencies. In particular, the unemployed were viewed as lacking the necessary skills and abilities to obtain employment, or were labelled welfare dependent and unwilling to work.

In many countries job creation in the public sector has been replaced with punitive workfare schemes where the unemployed are expected to work in return for the equivalent of welfare payments. As public sector job creation lost ground there has been a greater reliance on the use of wage subsidies to generate additional employment, reflecting programme evaluation findings that the most successful schemes are those that are closely linked to private sector workplaces.

In the 1980s training programmes assumed increased importance as governments sought to train the unemployed to ensure that they acquired skills and remained part of the effective labour supply. Maintaining job readiness of the unemployed was expected to exert a moderating influence on inflation when economic activity increased since the unemployed could compete for new employment opportunities. As the emphasis of training courses changed the proportion of vocational courses declined in favour of shorter and cheaper

courses that focus on job search and employability skills. Since the ascendancy of the ‘work first’ approach that prescribes getting people back to work as quickly as possible, the proportion of resources devoted to training courses has declined to get people back to work as quickly as possible. The contractual relationship between the PES and the unemployed has shifted the responsibility for finding work more firmly onto the unemployed by including a growing list of ‘activities’ and ‘responsibilities’ into contracts with the threat of withdrawal of financial assistance in the event of non-compliance.

Training covers a wide variety of programmes; hence results are likely to vary by the type of course, content, duration, target group and labour market conditions. Unsurprisingly large-scale training programmes during periods of recession have generally not produced high employment outcomes because of a dearth of job opportunities when training is completed and the fact that participant’s skills and confidence levels ebb as the length of unemployment increases.

The evidence on the efficacy of various programmes for different target groups is mixed. Job search assistance usually helps most groups of unemployed. Public sector job creation programmes assist the most disadvantaged job seekers and may be the only effective assistance available. Employment subsidies have been found to be effective for women returning to the workforce and the long-term unemployed. Women are also assisted by formal and on the job training, provided they have strong relevance for the local labour market. However, these programmes are less effective for men. Self-employment schemes are valuable for only a small sub-set of the unemployed. In general, ALMP are of limited assistance to youth. Heckman, Lalonde and Smith (1999) conclude that ALMP have had modest positive benefits at best and both the individual and social gains are small because the programmes are of insufficient scale.

Evaluations are fraught with many difficulties, particularly in non-experimental programmes when there is no guarantee that control groups are comparable to participants, or in situations where programmes are universally implemented. Many evaluations have concluded that programmes that more closely mimic actual work situations are the most effective. For this reason employment subsidies to private sector employers have been seen in a more favourable light than public sector job creation as a demand strategy even though such schemes are associated with substantial problem with dead-weight loss and substitution effects. However, attempts to generate large numbers of wage subsidy positions during periods of recession have often failed as was the case with the Job Compact in Australia in the 1990s. Moreover, simple comparisons between programme results can be misleading because the target groups differ substantially so that programmes are not necessarily substitutes.

Over the past 3 decades the issue of insufficient labour demand has not been emphasised in ALMP evaluations. One of the most important lessons from the experience with ALMP in OECD countries is that supply-side interventions in isolation are inadequate to address unemployment. There is evidence of poor employment outcomes for a variety of programmes in times of high unemployment. In addition, the persistence of regions of high unemployment indicates that there is an urgent need to develop more effective spatial policies.

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