



IFAU – INSTITUTE FOR
LABOUR MARKET POLICY
EVALUATION

DOES ACTIVE LABOUR MARKET POLICY WORK?

Lessons from the Swedish experiences

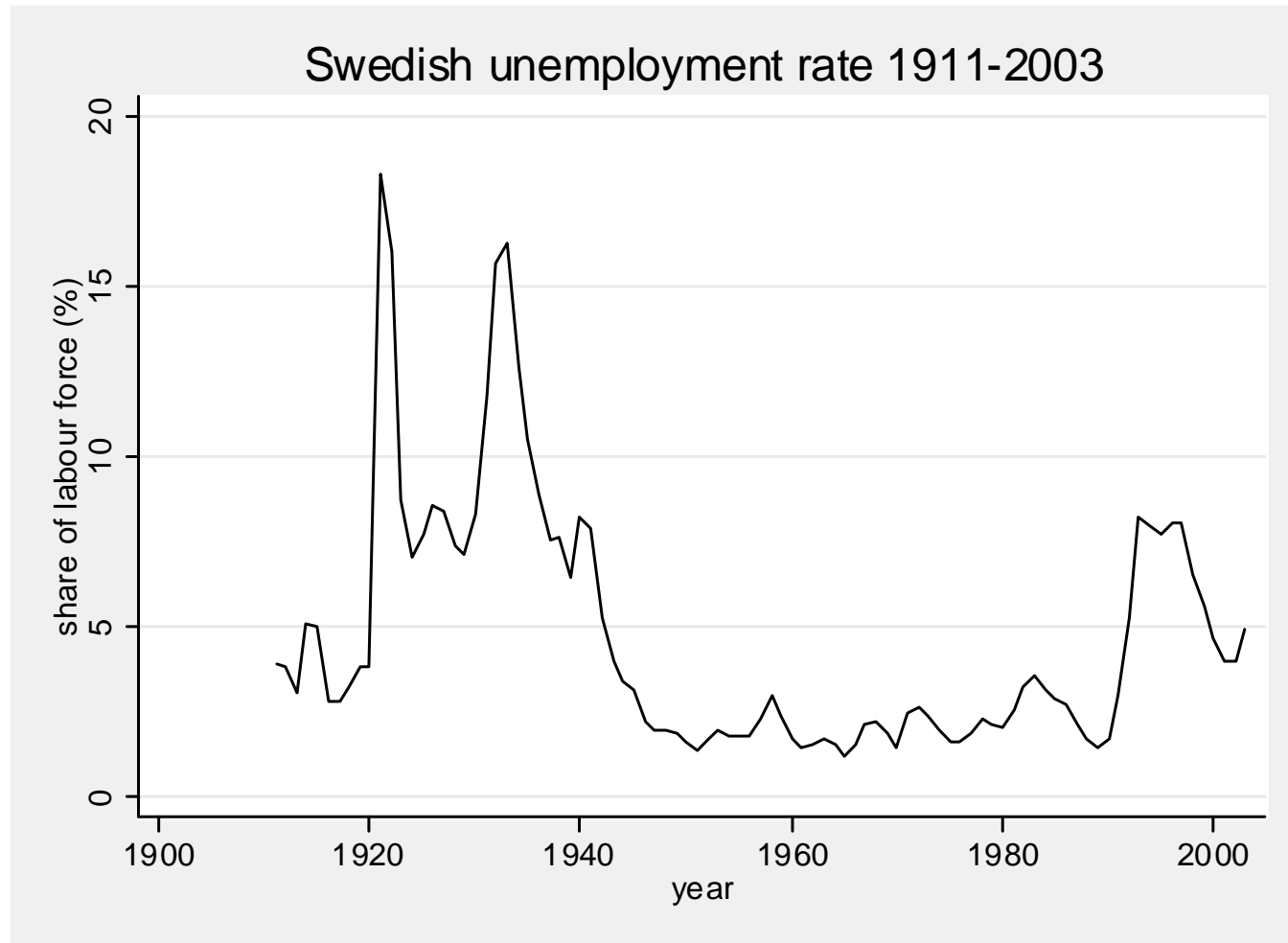
Maria Hemström

The Institute of Labour Market Policy Evaluation

Uppsala, Sweden

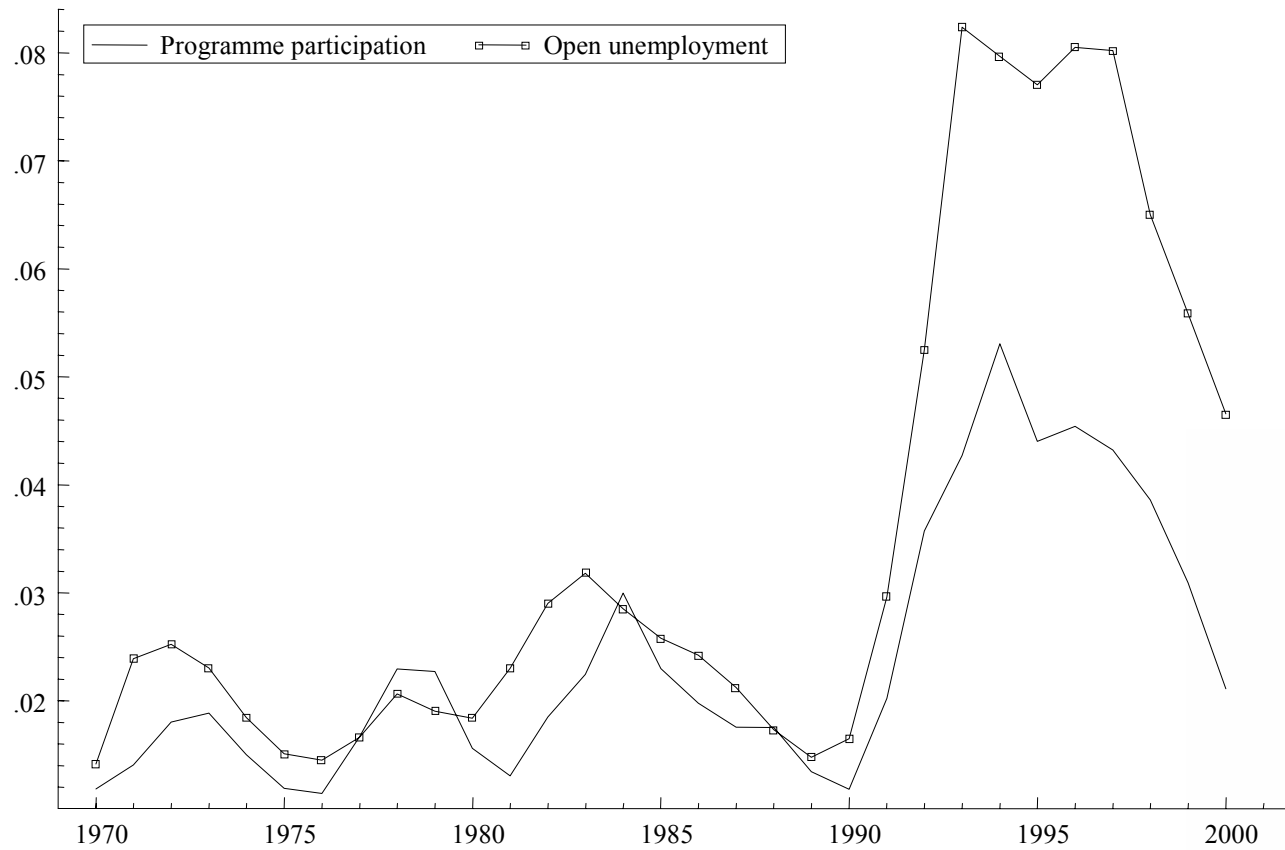


Swedish unemployment 1911-2003





Unemployment and program participation 1970-2000





Question

Has the active labour market policy
influenced the outcome?

Does active labour market policy work?

*Does active labour market policy work? Lessons from the Swedish experiences
by Lars Calmfors, Anders Forslund & Maria Hemström
Working paper 2002:4, IFAU*

www.ifau.se



Evaluations only

≠ follow-up studies

Basic question

How does the outcome of participants compare to
the outcome *had they not participated?*



Active labour market policy

Policies targeted directly at the unemployed,
aiming to help them

Job-search assistance
Labour market training
Subsidised employment



Microeconomic evidence

effects on participating individuals

Job-search assistance
Labour market training
Subsidised employment
Youth
Search activity
Employer attitudes



The effect of Job-search assistance

1980s

Increased assistance for a fraction
of all unemployed increases
their labour market prospects

1990s

Probably positive effects



The effects of Labour market training

Effects vary

1980s

Positive effects

1990s

Negative or insignificant effects



WHY?

Low demand

Large scale

Programs re-qualified for unemployment
benefits



The effects of Subsidised employment

Wage subsidies

Start-up grants

Direct job creation

Few evaluations of *each* program
Most evaluations have focused on
different programs **RELATIVE** effect



Gains differ

Ranking

Start-up grants

Wage subsidies

Direct job creation

≠

Policy recommendation



The effects on YOUTHS

1980s

Positive results

1990s

Discouraging picture

Specific youth measures do not
help disadvantaged youth



The effects on
Search activity

Retention effects

Participants use
less time & fewer search-methods
than non-participants



The effects on Employer attitudes

Employers look more favourable on

Participants than unemployed
who do not participate

Participants in labour market training
than participants in other programs



Macroeconomic evidence

*effects on non-participating individuals
and society at large*

The matching process

Labour force participation

Displacement effects

Wage setting



The matching process

ALMP as a whole have probably not made the matching process more efficient

Labour force participation

Large positive effects

Wage setting

The active labour market policy has either increased or had no impact on wages



Displacement effects

Main result

The programs with the largest gains
for participating individuals

also

has the largest displacement effects



Displacement

According to surveys

15 – 40 %

According to econometric studies

60 – 70%



Conclusions

Active labour market policy
can not reduce large-scale unemployment

but it may
increase labour force participation



Use with care

Do not underestimate the
impact of job-search assistance

Do not use programs to
re-qualify for unemployment benefits

Provide a good basic education