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**Active labour market policies in
international context: what
works best?**

1- Introduction

- **Active labour market policies (ALMPs)** : key policy instrument to combat unemployment
- **Work First Approach**: relatively cheap employability programmes with emphasis on sticks (benefit cuts, sanctions)
- **Human Capital Approach**: more emphasis on skills acquisition and training

1- Introduction

- **Work First:** more pronounced in the UK, the United States and Australia
- **Human Capital:** Denmark and the Netherlands
- **Stricter conditionality** across the OCDE
- **UK:** the top league of countries with strong conditionality regime

Introduction

Spending on ALMPs as a percentage of the GDP- Selected countries

- **Big spenders: Denmark (1.74%), Sweden 1.18%, France 0.90%, Germany 0.75%, and the Netherlands 1.35%**
- **Low spenders: Canada (0.32%), Australia (0.45%), the UK (0.32%), and the US (0.13%) (OECD 2007a: table J, p. 270-276).**

Introduction

- The questions

- What works best?

- What are the current challenges?

2- What works best

- **Consensus: personalised assistance with job search and Work First** (OECD various years)
- **Most cost-effective** in the short-term
- **Emphasis on individual responsibilities** as opposed to rights
- **Goal: cut the welfare bill**

2- What works best

- **Deterrence effect:** increased conditionality make the unemployed drop their benefits claim
- **US TANF: five years time limit**
- **Deterrence effect on TANF clients**
- **14.4 million in 1994**
- **5.3 million recipients in 2002**
- **Clients report they left welfare because benefit receipt involves “too much hassle”**

2- What works best

- **Modest impact of training** according to evaluation studies in **Sweden** and **Denmark**
- **Highly subsidised jobs in the private sector** most effective
- **In Denmark**, individuals aged 25+ reduce their dependence on social security by 20 percentage points, i.e. two months a year
- **But very costly**

3- Current challenges

- **3 categories of hard to reach groups**
- **People on disability benefits**
- **Disadvantaged youth**
- **And single parents (typically English-speaking countries)**

3- Current challenges

- **Disability benefit recipients**
- **UK: 8%** of the share of the working-age population, above the OECD average (6%)
- **Australia: 6%** of the working-age population on disability benefits
- **Mental health: the most crucial issue**
- **Mental health problems : 40%** of all disability benefit recipients in the UK
- **One third in Australia**

3- Current challenges

■ Disadvantaged youth

- **In the UK in 2007, 56% of 16-24-year old youth employed, 5 percentage point fewer than in 1997**
- **The Netherlands: Youth employment rate 64%**
- **Social assistance is harder to get**
- **JOP:** an internship of three months during which trainees keep their benefit and get a wage of EUR 450 a month from their employer

3- Current challenges

- A Work First Approach without supportive elements can have a significant deterrence effect on disadvantaged youth
- High risk that disadvantaged youth just disappear from official statistics and drift into illegal activities
- Residential programmes such as the Job Corps in the US or the 2eme chance offered by the French Ministry of Defence work best

4- Conclusion

- Need to tailor activation programmes for the most needy
- Earlier intervention and individualised assistance
- But remaining problem of the hard to reach group
- Need to adapt quickly activation packages during the recession
- ALMPS are tested by the recession

4- Conclusion

The impact of the recession

Trend is to increase the deterrence effect