

Dealing with unemployment: What should be the role of labour market programs?

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Abstract

This review presents a summary of evidence on outcomes from active labour market programs. Active labour market programs aim to increase the likelihood of employment for individuals who are unemployed or at risk of unemployment. The focus of this review is on studies of active labour market programs in Australia, supplemented with international evidence. An overview and historical background on active labour market programs is provided, as well as an introduction to the empirical methods used to estimate the effect of the programs. Evidence on the effects of the main types of programs – case management, work experience programs and formal education and training – is reviewed, and the main findings are distilled into a set of lessons for policy makers. The review concludes that active labour market programs cannot by themselves have a major impact on the rate of unemployment, but some spending on these programs is justified by outcomes such as increasing the pool of unemployed who are job ready and sharing the burden of unemployment. Job search and wage subsidy programs are suggested to be good ways to assist unemployed who are less disadvantaged. For unemployed with higher levels of disadvantage, priority should be given to programs that create jobs with opportunities for linked training, and that provide a pathway to a permanent job.

Dealing with high levels of unemployment has now been a problem for policy-makers in Australia for over 40 years. Increases in unemployment that have occurred in Australia have been attributed primarily to downturns in the rate of growth in economic activity. Thus, the main response by governments has been to apply macroeconomic policy to increase the rate of economic growth – for example, using fiscal stimulus, or lower interest rates. The other type of policy that has been used extensively by governments to deal with high unemployment has been a set of interventions known as active labour market programs.

Active labour market programs seek to increase the likelihood of employment for individuals who are unemployed or at risk of unemployment, by changing their search behaviour or raising their skills and job readiness. In Australia active labour market programs have remained consistently important since the mid-1970s; at present Australia spends about 0.3 percent of its GDP on active programs for the unemployed.

Whether active labour market programs can improve outcomes for the unemployed, however, remains a much-debated topic. An illustration is the controversy surrounding the Commonwealth government's attempt in 2014 to expand the requirement for recipients of unemployment payments to participate in the Work for the Dole program. These reforms drew considerable criticism from business and welfare lobby groups as well as service providers for the unemployed (for example, Allard and Hunt 2014).

This controversy might indicate a lack of knowledge about the effect of active labour market programs. But that is not the case – there is today a large body of evidence, from Australian and international studies, available to inform policymaking

on active labour market programs. These studies, mostly undertaken over the past 25 years with newly available administrative data sources and using rigorous statistical methods, provide a comprehensive and robust set of lessons about the performance of active labour market programs.

Presenting a summary of these lessons is the main objective of this review. The lessons have been identified using studies of recent active labour market programs in Australia (see Appendix 1), supplemented with evidence from studies of international labour market programs, especially where those studies can provide important additional findings beyond the scope of the Australian research.

The review is organised as follows: Section 2 describes the main types of active labour market programs, and section 3 presents arguments for how these programs might reduce unemployment. Section 4 describes the history of labour market programs in Australia. Section 5 summarises the main empirical methods for identifying the effects of active labour market programs. Section 6 describes briefly how the Australian literature on active labour market programs has developed in recent years, and the criteria for selecting studies for inclusion in this review. The core of the review is section 7, which summarises the main findings on the effects of active labour market programs. Section 8 presents lessons for policy makers.

What are active labour market programs?

Active labour market programs are a set of interventions directed at individuals who are currently unemployed or at risk of becoming unemployed that aim to increase their likelihood of employment. One type of active labour market program seeks to increase the amount and/or effectiveness of job search undertaken by the unemployed. A second type of program provides work experience and may also provide on-the-job training. A third type of program provides formal training and education.

Job search programs seek to affect how the unemployed look for jobs. This can happen in two main ways. First, the programs can raise the intensity of job search, generally by imposing a requirement for a minimum number of job applications to be made in a specified time period, and monitoring to verify that the requirement is met. An example is the Jobseeker Diary (JSD) which was introduced in Australia in the mid-1990s. The JSD was a job search verification program requiring unemployment payment recipients to complete a fortnightly diary in which details of a specified minimum number of job applications were recorded. Second, the programs can improve the effectiveness of job search, for example by providing extra advice and assistance to the unemployed about how to search for a job. An example is the Job Club program from the 1990s, which provided job seekers with instruction on job search techniques and support from a Job Club leader.

Work experience programs can involve support for the unemployed to obtain employment in the private sector; or placement in public sector jobs created for that purpose. The objective of providing work experience is to increase the human capital and job readiness of participants, and to potentially provide a credible signal of their job readiness to employers.

The main means of support to obtain private sector employment has been via wage subsidy programs where employers are paid a subsidy for giving a job to an eligible unemployed job-seeker. An early example in Australia was the Special Youth Employment and Training Program (SYETP), introduced in 1976, which paid a fixed wage subsidy for four months to an employer who provided a job to a youth who had

been unemployed for at least four of the last eight months. In 1985 the scheme was superseded by the JOBSTART program, which provided a similar type of subsidy for long-term unemployed in all age groups. The other method of support for obtaining private sector employment has been to provide a subsidy for the unemployed to start their own businesses.

Programs to directly create public sector jobs for the unemployed have mainly involved the Commonwealth government providing funding to community groups or service providers to undertake labour-intensive projects designed to provide facilities or services of community benefit. There have been many examples of direct job creation programs in Australia: the Regional Employment Development Scheme (REDS) in the 1970s; the Community Employment Program (CEP) in the 1980s; and New Work Opportunities (NWO) in the 1990s. The most recent manifestation is the WfD program, initially introduced in 1998, where eligible unemployment payment recipients were required to contribute to specified projects of benefit to the community such as environmental work, construction projects, maintenance of community facilities, and work in hospitals and the aged care sector (Commonwealth DEWRSB 1999, 2, 33; OECD 2012, 204).

Formal training and education programs seek to increase the skills and job readiness of the unemployed in a classroom environment. Examples of this type of program in Australia have been JOBTRAIN and the Youth Training Initiative (YTI). The latter program, introduced in the early 1990s, provided intensive case management to young people who had been receiving unemployment payments for three months. It aimed to assist them to return to school or undertake further education or vocational training. The New Enterprise Incentive Scheme (NEIS) currently provides jobseekers who are interested in starting a small business with accredited training (and ongoing income support) for one year.

The obligation for unemployed people to participate in labour market programs in Australia derives from activity test requirements associated with receiving income support from the government. The Social Security Act 1991 (Section 601) requires that (unless exempted) unemployment payment recipients must meet an 'activity test' – to be actively looking for work, or undertaking activities to improve their employment prospects, and be willing to accept offers of suitable employment. Enforcement of the activity requirement is via penalties that involve some loss of income support payments where an unemployed person is judged to have been non-compliant.

What are the arguments for labour market programs?

The objective of active labour market programs is to increase the likelihood of employment for the unemployed. It might seem unnecessary to go further than this to explain why the policy can improve society's well-being. Isn't it a win-win if some unemployed shift to employment? They are made better off by having a job, and the rest of society gains from higher output and lower income support payments to the unemployed. However, working out whether society does gain is more complicated.

An active labour market program may cause a person who would otherwise have remained unemployed to obtain a job. But where does this job come from? Suppose an unemployed person participated in a program to make them more effective in their job search. Because they are better at job search (maybe now with a more professional CV and improved interview technique) they get a job they would not otherwise have obtained. But there is still the same number of jobs in the economy as before. The fact

that this person got the job means that someone else missed out on that job. There has simply been a switch in who is unemployed.

Or think about a direct job creation program. In this case it may seem that there is a benefit to society, because this is an extra job created by the government for a person who is unemployed. But again, there is a problem with this argument. The government must fund its public sector job creation using tax revenue. Higher taxes will mean lower spending by consumers. That lower spending will mean less demand for private sector output and hence lower employment. Thus by funding an extra public sector job, the government may remove a job elsewhere in the economy.

Therefore, consideration of the role of active labour market programs must begin with the understanding that the programs do not directly increase the total number of jobs available (where the number of available jobs is equal to the jobs that are filled plus vacancies). It is necessary to find other rationales for how they can improve society's well-being.

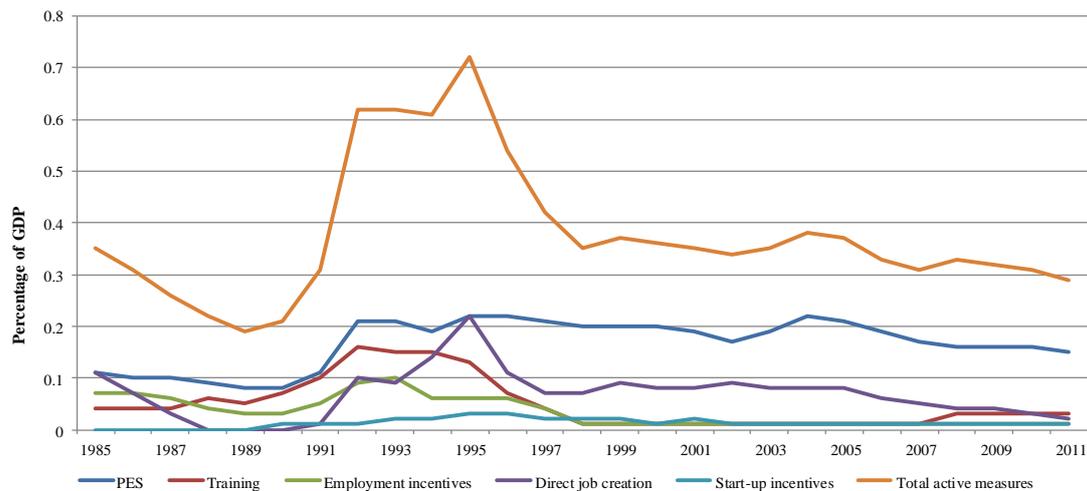
One way in which this can happen is by keeping as many unemployed as possible 'job ready' – that is, with skills and motivation such that an employer with an available job vacancy would be willing to appoint and retain them. This can be done, for example, using programs that encourage job search, increase job seekers' skills, or ensure compliance with activity test requirements (for example, Besley and Coate 1992). Once extra jobs become available it will then be possible to fill those new vacancies more quickly than otherwise, with a positive effect on national output. Quicker matching of unemployed to jobs will also assist macro-economic policymaking by improving the inflation/unemployment trade-off; and having a larger proportion of unemployed who are 'job-ready' can improve wellbeing by sharing the burden of unemployment more evenly throughout society.

A brief history of labour market programs in Australia

Substantial spending on active labour market programs in Australia commenced with the onset of high unemployment in the early 1970s. Since that time there has always been some spending on these programs, with the level of expenditure varying from year to year in line with changes in the rate of unemployment (Figure 1). Spending on active labour market programs has always been primarily a Commonwealth government responsibility – for example, in the early 1990s it was estimated that Commonwealth spending accounted for 97 percent of total expenditure on labour market programs (EPAC 1996, 89).

In the 1970s and 1980s, labour market programs in Australia were controlled by a public employment agency, the Commonwealth Employment Service (CES). Recipients of unemployment income support payments were assessed by the CES, and either matched to jobs using a national vacancy dataset or referred to labour market programs. Places in programs were limited, so there was no guarantee of participation for an unemployed person.

The Working Nation strategy, introduced in 1994, sought to integrate and extend existing labour market programs to provide a systematic approach to reducing long-term unemployment. Notable innovations were a greater degree of compulsion for unemployment payment recipients to participate in available programs (following the introduction of activity agreements for unemployment payment recipients in 1991), and partial privatisation of the counselling and referral roles of the CES (Davidson and Whiteford 2012, 53; Davidson 2011, 59). The centrepiece of Working Nation was the

Figure 1 Spending on active labour market programs in Australia, 1985-2012

Job Compact, the offer of a job to all unemployment payment recipients who had been receiving benefits for 18 months or more (Commonwealth DEETYA 1996a, 40-41).

A major change in the provision of active labour market programs occurred in the late 1990s with the introduction of the Job Network, a ‘managed’ market for private sector provision of government-funded services to the unemployed (Davidson 2011, 62-64; Davidson and Whiteford 2012, 54-66). The Job Network encompassed two main types of service providers: a public sector agency (Centrelink), and Job Network providers. Centrelink became the initial contact point for an unemployed person, providing a single ‘shopfront’ point of access to employment and income support services. Centrelink assessed eligible unemployed persons and where relevant referred them to Job Network providers (Commonwealth DEETYA 1996b, 27). Job Network service providers were to supply services to referred unemployed job-seekers according to their assessed needs as determined by their Job Seeker Classification Index (JSCI) score.

The Job Network model remained the basis for labour market programs through the greater part of the 2000s. During this time it underwent a variety of reforms. In 2004 the Active Participation Model was introduced. This specified a path of service provision for any unemployed person, making their program participation dependent on the duration of their unemployment spell rather than just their JSCI score. On referral from Centrelink an unemployed person would have three months of job search support, followed by three months of job search training, six months undertaking a Mutual Obligation Initiative (MOI) activity. If they were still unemployed after 12 months they would move into the phase of Intensive Assistance. At the same time payments to service providers were restructured and a Job Seeker account was created for each unemployed person to fund services and programs that would reduce their barriers to employment. This was done with the objective of giving service providers an incentive to improve employment outcomes for all unemployed and not just those who were easy to place into jobs.

In introducing the Job Network, the Coalition government also made major reforms to activity test arrangements for unemployment income support recipients. These reforms sought to tighten activity test requirements. First, an obligation to complete a diary (JSD) every fortnight for three months was imposed on all new recipients from July 1996, and penalties for breaching job search conditions were restructured. Second,

the Mutual Obligation Initiative was introduced in July 1998. The MOI involved a requirement to undertake an approved activity as well as continuing to look for work. These activities included work experience activities, training and education, and intensive job search. Participation in MOI was initially required for those aged 18–24 years who had been in receipt of payments for 6 months and whose activity type was job search. Subsequently the program was extended to recipients aged up to 50 years.

In 2009-10 Job Services Australia took over responsibility for labour market programs. Job Services Australia integrated previously separate services. It also introduced new categories to characterise job seekers' extent of disadvantage and the timing and type of services they would receive from their chosen provider. The JSCI score once more played a significant role in determining the type of assistance an unemployed person received, and there was greater flexibility in program participation. Disability Employment Services, a new vehicle for assisting persons with a disability, was also established (OECD 2012, 72-73; Taskforce on Strengthening Government Service Delivery for Job Seekers 2011, Appendix C).

The compliance and penalty regime associated with labour market program participation has undergone several reforms since the 1990s (Davidson and Whiteford 2012, 46-52). Before 1997 the penalty for non-compliance with activity test conditions was complete withdrawal of income support for periods of time that increased with each successive breach. In response to concerns about the financial hardship caused by total withdrawal of support, a new policy of partial loss of payment for the first and second instances of non-compliance was introduced in 1997. However, due to an increase in monitoring and enforcement, *more* penalties were actually incurred at this time. In 2006, partial penalties were replaced by temporary suspension of payments in order to improve compliance. In 2009-10 temporary suspension of payments was extended, with a set of penalties tailored to the severity of the breach of activity test requirement. These were integrated with a system of 'comprehensive compliance assessments', which sought to address persistent non-compliance.

How do we measure the effect of active labour market programs?

Most Australian and international studies of active labour market programs focus on estimating the **impact** of the program. The impact is a measure of how outcomes for the unemployed are changed by participating in a labour market program; that is, the difference between what happens to an unemployed person when they participate in the program compared to what would have happened had they not participated in the program. Outcomes studied include the incidence and duration of employment and earnings from labour market activity following program participation or, where administrative data on welfare payment receipt is being used, the incidence of payments and time spent on payments. A handful of studies have also undertaken benefit-cost analyses of labour market programs (for example, Borland and Tseng, 2007, and Johnston, 2007). A **benefit-cost analysis** provides a monetary valuation of the net gain to society from a program. This measure of net gain compares the monetary benefits to society (for example, from the impact of the program on employment outcomes or welfare payment receipt) with the opportunity cost of resources used by the program.

To estimate the impact of a program it is necessary to deal with what is known as the 'evaluation problem'. Essentially this is the difficulty of choosing a control group whose outcomes can be compared with those of the program participants. It is critical

that the members of the control group have the same characteristics as the program participants. Otherwise, any difference in outcomes between the participants and the control group will confound the effects of program participation with differences in the characteristics of the participants and control group.

Suppose, for example, we are interested in estimating the impact of a program, JobNow, on the likelihood that an unemployed person finds a job. JobNow requires participants to have been unemployed for at least 12 months. However, for our impact study we are only able to use a control group of unemployed who have spells of less than 12 months. The probability of finding a job decreases with time spent unemployed, thus it follows that the estimated impact of the JobNow program will partly reflect differences in the duration of unemployment spells between the program participants and the control group. More specifically, the estimated impact of the program will be biased downward compared to the true impact. This is because having shorter unemployment duration will, independent of any effect of the JobNow program, cause the control group to be more likely to move into a job than program participants.

All studies included in this review use either an experimental or quasi-experimental approach to choosing a control group. In an experimental approach, individuals in a defined population are randomly assigned for participation or non-participation in a program, and the outcome of interest is compared between those groups. Random assignment should generate groups of participants and non-participants where each group has the same characteristics on average. Comparison of outcomes for the two groups will therefore provide an estimate of the causal impact of program participation. In a quasi-experimental approach, outcomes are compared for groups of program participants and non-participants who have not been deliberately randomly assigned. Quasi-experimental methods seek to solve the 'evaluation problem' by using as a control group program non-participants who have similar characteristics to the program participants, or comparing participants at two different periods (before and after participation). The validity of impact estimates from the quasi-experimental method depends on the extent to which outcomes for the control group accurately measure what *would have occurred* for program participants if they had not participated in the program.

Experimental and quasi-experimental approaches are very different to the approach of monitoring outcomes that was used prior to the early 2000s by government departments in Australia with responsibility for labour market programs. Monitoring involves reporting outcomes for program participants; for example, the proportion of program participants in employment three months after completing the program. The problem with this approach is that it is exclusively about outcomes for program participants. By contrast, an impact measure compares employment outcomes of participants against outcomes for an equivalent group who did not participate in the program. Heckman et al. (2002) show that outcomes for labour market program participants are in general only weakly related to program impacts.

Studies of active labour market programs in Australia

In Australia the main source of data for evaluation of labour market programs has been government administrative data. These record program participation as part of the activity test requirement for receipt of an unemployment income support payment. Since this data source is controlled by a Commonwealth government department,

research on active labour market programs in Australia has almost exclusively been done by government departments or commissioned by them.

Chapman and Stretton (1990) and Webster (1997) have already provided valuable surveys of the Australian evidence on the impact of labour market programs up to the mid-1990s. This review will focus on evaluations of labour market programs published since that time, building on the survey of recent studies in Davidson (2011).

In the mid-1990s a series of evaluations of the Working Nation strategy was undertaken by the Department of Employment, Education, Training and Youth Affairs. Subsequently there were evaluations of those programs by academic researchers using the Australian Bureau of Statistics *Survey of Employment and Unemployment Patterns* longitudinal data. The next major development occurred in the late 1990s and early 2000s, when the Department of Family and Community Services supplied administrative data on income support payment receipt to academic researchers, and sponsored them to undertake evaluations of programs such as MOI and JSD, as well as funding a series of randomised controlled trials (RCTs). This research is distinguished by the consistent application of quasi-experimental and experimental techniques to estimate program impacts. During the 2000s the Commonwealth government used a series of in-house evaluations to measure the impact of labour market programs such as Intensive Assistance and Work for the Dole. Unfortunately, limited information about the research methods used has made it difficult to evaluate the validity of these studies. Since the mid-2000s little independent evaluation has taken place of the impact of labour market programs, a point that has been especially noted by the OECD (2012, 32).

My search strategy sought to identify all research on active labour market programs in Australia from studies of Working Nation onwards. I started with the many studies I was already aware of from my own previous research in this field. To find extra studies I mainly searched academic journals and the websites of government departments. I used a 'snow-ball' approach of examining the reference lists of studies included in the review in order to find other studies (especially Davidson 2011).

Evaluations of Australian active labour market programs that are the core of this review use individual-level data, and have used experimental or quasi-experimental approaches to estimate program impact. This encompasses three main types of studies:

- Randomised controlled trials;
- Quasi-experimental evaluations where there is high degree of confidence in the validity of the control group due to assignment involving a natural experiment or selection on observables;
- Quasi-experimental evaluation where there is lower confidence in the validity of the control group due to it being impossible to rule out selection effects in the estimate of the program impact.

An example of the latter type of study would be where the method of assignment into a program has caused differences between the characteristics of treatment and control group members, but data limitations meant that it was only possible to control for a subset of those different characteristics. Estimates of the program impact are therefore likely to confound the true impact of a program and the effect of differences between treatment and control groups.

The level of weight given to evidence from individual studies covered in this review accordingly varies depending on type of study. I put most weight on studies that use a randomised control method or a quasi-experimental estimator where there is a high

degree of confidence in the control group. I put less weight on studies where there is a lower degree of confidence in the validity of the control group, and the estimate of the program impact may be biased by a selection effect. In presenting my findings I identify where I have put less weight on a study, and give an explanation for why I believe the estimate of the program impact from that study may partly reflect a selection effect.

Where useful, the findings from the core Australian studies will be integrated with conclusions drawn in the earlier Australian surveys. Findings from some international studies will also be used to supplement the review. Major surveys of those international studies are Martin (1998), Heckman et al. (1999), Kluve and Schmidt (2002), OECD (2005), Bergemann and van den Berg (2006), and Card et al. (2010).

The effects of case management

Case managers for the unemployed generally undertake two main roles: counselling; and monitoring to verify whether job search requirements are being met. Counselling can consist of providing advice on and assistance with job search, and advising or directing clients to participate in a labour market program. Job search verification involves monitoring job search efforts to ascertain whether minimum standards imposed by the government or the case manager (for example, number of job applications made per fortnight) are being met, and where they are not being met to apply sanctions.

Counselling

Australian studies of counselling demonstrate its impact depends on the scale of counselling provided; this service on a limited scale is unlikely to improve labour market outcomes for the unemployed.

Breunig et al. (2003) studied the effect of an intervention that required the very long-term unemployed to attend two interviews with a case manager. Hours worked per week were reduced by participation in the interviews, although this was partly compensated for by more time spent in training. There was some evidence of greater social participation. The authors explained the limited impact of the intervention as the result of its 'modest' scale and the 'extremely disadvantaged' background of the participants (2003, 97-98). Borland et al. (2013) studied the effect of case management intended to provide integrated service delivery for 18–35 year old homeless unemployment payment recipients. They found no effects on the economic or psychological well-being of participants by 24 months after program commencement. Their explanation for the lack of impact again related to the modest scale of the program, as well as its highly disadvantaged participants (2013, 485).

The other studies of a counselling-type intervention are the analyses of Job Clubs by Stromback and Dockery (2000); and of Job Search Training by the Commonwealth Department of Employment and Workplace Relations (2006). Participation in these programs provided a higher level of assistance, and they are found to have had larger effects on employment outcomes. For example, participation in Job Clubs was estimated to have an up to 8 percent positive net impact on the probability of employment, similar to the range of 6–10 percent suggested by Webster (1997, 198) as indicative of the findings from earlier studies on the effect of Job Clubs. However, the control groups for these studies of Job Clubs and Job Search Training were constructed

using a limited approach to matching, and for that reason the estimated impacts are less reliable.

It is in program implementation that case management has been found to make a difference in Australia. Studies of the MOI by Richardson (2003), Lim (2008), and Borland and Tseng (2010) found that what was supposed to be a universal program in fact had quite a limited take-up following its introduction. For example, Borland and Tseng (2010, 29) found that ‘only 15–35 percent of the eligible population were found to participate in the MOI program in its initial phase of operation’. Richardson (2003, 90) attributed this to a failure of case managers to implement the program, concluding that the take-up reflected that ‘MOI requirements were not strictly enforced.’ Lim (2008) found the same outcome when MOI was extended to jobseekers aged 35–49 years in July 2002.

Ways to get job-seekers to engage with counselling have also been researched. Barrett and Cobb-Clark (2000–01) examined how the form of communication about opportunities for counselling affected participation. Specified groups of Parenting Payment recipients were randomised to either receive a letter *inviting them* or *compelling them* to attend an interview with a case manager. Seventeen percent of the invited group attended the interview, as opposed to 81 percent of the compelled group.

International studies provide a range of extra information about the consequences of counselling. A major issue, of particular relevance over the past 10–20 years when many countries have contracted out provision of some or all of their labour market programs, is the relative impact of public and private counselling services. Several studies have examined this question for France and Germany (Behaghel et al. 2014; Krug and Stephan 2012; Bernhard and Wolff 2013). None of the studies found that private sector provision achieves better outcomes than public sector provision. The most rigorous study, by Behaghel et al. (2014), found that the effect on exits to employment was twice as large for the public than for the private counselling service. By contrast, a UK study of employment zones, where private suppliers were contracted to provide work-first services to long-term unemployed, obtained the opposite result: better employment outcomes being achieved by private programs than from comparable public programs (Griffiths and Durkin 2007). What might explain the difference in findings? One hypothesis is that the quality of contracting with private suppliers, and hence the effectiveness of private supply, increases as the government has more experience dealing with a private market for supply of counselling services. Australian experience with the Job Network has been claimed to provide supporting evidence for this hypothesis. Finn (2011, 30), for example, argues that ‘Most of the studies were undertaken in the early phases of the development and implementation of sub-contracting reforms and they highlight faults in the design of contract incentives and procurement processes ... [whereas] the findings from Australian research suggest efficiency gains and cost reductions take some time to emerge.’

Another issue examined in international studies of job counselling is the effect of case manager expertise. In some situations a major role for case managers is to assign the unemployed to labour market programs. Lechner and Smith (2007) examined the performance of case managers in Switzerland undertaking this role, compared to alternative methods of assigning unemployed to programs. Assignment of unemployed persons to labour market programs by case managers is found to have only about same aggregate effect on labour market outcomes as random assignment. Substantially better labour market outcomes are achieved using a statistical rule for assignment based on the predicted impact of program participation. The style of case management can also affect outcomes from counselling. A study by Behncke et al. (2010) of employment

outcomes from counselling for unemployed in Switzerland found that having a less cooperative caseworker – who put relatively more weight on control and sanctions than on counselling meetings – meant a slightly higher probability of being in employment up to 36 months after registering as unemployed.

Job search verification

The main study of a job search verification program is the analysis of the JSD during its initial period of implementation in the mid to late 1990s (Borland and Tseng 2007). Being required to complete a minimum number of job contacts each fortnight was found to reduce the time spent on unemployment payments by about a fortnight in the first year after commencing JSD. The effect on the rate of exit from payments was concentrated during the time when participants were completing the diary.

These findings on the JSD in Australia are highly consistent with evidence on job search verification programs in the US and Europe (for the US see Ashenfelter et al. 2005, Klepinger et al. 2002, and Meyer 1995; for the United Kingdom see Manning 2009 and Petrongolo 2010; and for the Netherlands see Gorter and Kalb 1996 and Van den Berg and van der Klaauw 2001). These international studies also found that the impact of job search verification is larger where the intervention has higher intensity; for example, where the amount of job search required is higher; and where intervention occurs at an earlier stage of an unemployment spell. Job search programs also appear to be most effective where they do not distort the ‘type’ of job search activities able to be undertaken; for example, between formal and informal search methods.

Job search verification programs may be able to shift the unemployed *off welfare payments*, but there is less – and mixed – evidence on whether they shift the unemployed *into jobs*. One of the early studies for the Netherlands did find that program participants had a higher rate of transition into jobs (Gorter and Kalb 1996). More recently, studies of the UK Jobseekers Allowance found that this episode of tightening job search requirements was primarily associated with unemployment payment recipients moving to non-employment, and often to receiving other payment types such as incapacity benefits (Manning 2009; Petrongolo 2009). It is important to note, however, that the Jobseekers Allowance did not affect the intensity of job search. So it is possible that other job search verification programs, which have been found to increase the amount of job search, may have had more positive effects on the probability of employment.

Even where a job search verification program has a positive impact on the likelihood of employment for participants, this does not necessarily mean that there is a net gain to society (Cahuc and Le Barbanchon 2010). A recent RCT of a case management program in France found that a higher rate of employment for program participants was entirely offset by a lower rate of employment for non-participants – what is known as a ‘displacement effect’ (Crepon et al. 2013). This implies that the potential benefits to society from a job search verification program would be from other sources such as redistribution – changing the identity of the unemployed to achieve a more equal distribution in the population of time spent in unemployment.

The effects of work experience programs

Private sector job creation

The small amount of Australian evidence indicates that private sector job creation – via wage subsidy schemes – can have a positive effect on labour market outcomes for

participants. The main evidence comes from studies of the Working Nation policy, and the earlier SYETP. Johnston (2007) used a quasi-experimental matching method to examine the effect of the Working Nation interventions between 1994 and 1997, and concluded that at two years after program commencement ‘wage subsidy programs have a large positive impact on job seekers’ labour market outcomes.’ Stromback and Dockery (2000) also examined the Working Nation wage subsidy scheme and found even larger effects. These results, however, are certain to overestimate the true effect of the program. It is known that during Working Nation employers were only willing to take workers under the wage subsidy scheme if they had higher levels of skills (DEETYA 1996, 42); and in the case of Stromback and Dockery’s study the results will also reflect the limited set of observable characteristics used to construct the control group. Richardson (1998) examined the impact of the SYETP wage subsidy program for youth between 1984 and 1987. His study found that the program had a large positive effect on employment outcomes. Most of this effect was due to subsidised workers retaining the same job after the subsidy expiry, but the program also had a positive effect on later employment for those who lost their subsidised job. These findings are consistent with evidence from earlier Australian studies, which Webster (1997, 196) summarises: ‘Both the early Australian evaluations in the mid-1980s and the more recent series in the 1990s have found that wage subsidy schemes do raise the employability of participants.’

A shortcoming of wage subsidy schemes is that employers appear to only be willing to take on unemployed persons they regard as relatively ‘job-ready’. A case in point was the Job Compact in the 1990s. The JobStart wage subsidy program was intended as the major method for fulfilling the job guarantee to unemployed persons whose spell duration had reached 18 months. However, while 70 percent of jobs were intended to come from wage subsidies, such placements only accounted for 34 percent of jobs in the initial phase of the Job Compact. The explanation provided by an official study was that ‘employers perceive that the long-term unemployed have a range of problems that can make them unsuitable employees’ (DEETYA 1997, 46–47).

International evidence on wage subsidy programs is consistent with the findings from Australia. Kluve’s (2010, 904) review of European labour market programs, for example, concludes that ‘wage subsidies ... can be effective in increasing participants’ employment probability’; and the earlier review by the OECD (2005, 183) found ‘hiring subsidies frequently find a positive impact of participation on employment even when ‘employment’ is defined to arise only after a transition to unsubsidised employment’. The UK Future Jobs Fund is a wage subsidy program recently found to have positive effects on outcomes for the unemployed (UK DWP 2012). Some international studies suggest that maximising the impact of wage subsidy schemes requires careful targeting of the subsidy, and choosing a length of subsidy that is just sufficient for an unemployed person to be able to reveal their value as an employee.

Public sector job creation

Evaluations of public sector job creation schemes in Australia generally find them to have had zero or negative impacts. The main studies have been of New Work Opportunities (NWO) in the mid-1990s and Work for the Dole in the late 1990s. Webster’s (1997, 198) review of previous evidence similarly found public sector job creation programs to be ‘marginally positive or negligible’ in their impact.

Borland and Tseng (2011) studied the pilot phase of the WfD program in the late 1990s. They concluded that participation in the program caused a large and significant negative effect on the likelihood of exiting unemployment payments. Richardson

(2003) examined the effects of WfD participation as part of a more general evaluation of the Mutual Obligation (MOI) program. She found that participants in WfD were much slower to move off payments than participants in other programs such as part-time or voluntary work, or education. One limitation of this study is that payment recipients required to participate in MOI and those who choose an activity such as part-time work are likely to differ from participants in WfD, even after controlling for observable differences in their characteristics.

In contrast, several studies by government departments have found that the WfD program reduced the likelihood of being in receipt of income support payments and increased the probability of employment. For example, a study by the Commonwealth Department of Education, Employment and Workplace Relations (2010a) found that participation in WfD lowered the likelihood of receiving income support payments at 12 months after program commencement (see also Commonwealth DEWRSB 2000; Commonwealth DEWR 2006).

The main difficulty with these studies is that the methodologies they use are unlikely to provide valid estimates of the impact of WfD. Significant criticisms of the methodology applied in the 2000 DEWRSB study were raised by the Productivity Commission (2002, Appendix E) and the OECD (2001, 220). For example, a group of program participants, some of whom had already left unemployment income support payments, were matched with a control group of non-participants, all of whom were receiving unemployment income support in August 1999. This created a bias towards finding a positive effect of WfD participation. The more recent studies apply a regression-based approach to estimate the program impact, with limited sets of covariates to control for differences between program participants and the control group. Both these aspects of methodology are known to be possible sources of bias in estimating program impacts. In addition, the lack of detailed information provided on the characteristics of the participant and control groups in the published reports makes it impossible to judge the extent of this bias.

The other main analyses of public sector job creation are of the NWO program during Working Nation. Johnston (2007) used a matching approach to examine the impact of this program between 1994 and 1997. He found that employment outcomes for participants in NWO were not significantly different from non-participants. Stromback and Dockery (2000) did find positive effects of the NWO program, but again their results are likely to be less robust due to limitations in their methodology.

International studies of public sector job creation programs almost uniformly have found them to be ineffective. From a review of 97 studies of labour market programs Card et al. (2010, F453) found that 'subsidised public employment programs are relatively ineffective ... [and] the least successful programs are public sector jobs programs'. Commenting on direct job creation by the public sector, former OECD Head of Labour and Social Affairs John Martin (1998, 292) wrote: 'The evaluation literature shows fairly conclusively that this measure has been of little success in helping unemployed people get permanent jobs in the open labour market' (see also Heckman et al. 1999; OECD 2005; Kluge 2010).

What explains the poor outcomes from public sector job creation programs? A review of work experience programs in Australia by the OECD highlighted the lack of skill development and the absence of a pathway to a permanent job as being major weaknesses of the WfD program (OECD 2012, 206). By contrast, successful public sector job creation programs appear to have mainly been 'bottom up' schemes, small-scale initiatives targeted to meet local needs of job seekers and employers. These programs work by giving participants extra skills that are relevant to local jobs, and

providing a pathway to a permanent job. For example, Carling et al. (2001, 92) concluded from a review of Swedish programs that ‘subsidised employment programmes work better the closer they are to a regular employment relation’; and Sianesi’s (2008, 370) main finding from a review of Swedish labour market programs in the 1990s was that ‘the more similar to a regular job, the more effective a program is for its participants’.

The effects of formal education and training

There is little recent evidence on the impact of training programs in Australia, the only studies being of programs from the Working Nation strategy and Structured Training and Employment Projects (STEP) for Indigenous jobseekers. These studies reach mixed conclusions.

Johnston’s (2007) analysis of the training stream of the Working Nation program found that employment outcomes were made worse for participants in those programs compared to non-participants; and Stromback and Dockery (2000) concluded that training was the least effective type of program in that period. By contrast, an evaluation of STEP in the 2000s found that the exit rate for program participants increased compared to a matched control group (Commonwealth DEEWR 2010b). Earlier studies of training programs in Australia also suggested a more positive story. Webster (1997, 197) described these studies as showing the effect of training programs to be ‘positive and sustained over the 6-month and 12-month period.’

There are several major reviews of international evaluations of training programs – and they provide summaries that are highly consistent. The main message is neatly encapsulated by Greenberg et al.’s (2003, 31) meta-analysis of 31 US evaluations: ‘On average, the earnings effects of the evaluated programs seem to have been largest for women, quite modest for men, and negligible for youth’. These findings also hold for European training programs in more recent reviews (for example, Card and Kluve 2010, F453; Kluve 2010, 914); as well as earlier reviews (Bergemann and van den Berg 2006; Lalonde 1995; Heckman et al. 1999). An exception to the generally negative findings on the effect of training programs for youth is the US Job Corps program, which has been found to increase educational attainment, reduce criminal activity, and raise earnings in the short term (Schochet 2008).

One important finding from international studies of training programs is that their impact may change with time elapsed since program participation. A comparison of ‘work-first’ and education and training programs in California’s GAIN programs found that their relative impact was reversed over time. Whereas *work-first* programs were associated with better employment outcomes after 1–3 years, after 7–9 years, it was *education and training* programs that brought the greatest employment gains (Hotz et al. 2006). Evidence of an increasing effect of training programs over time has also been found in West Germany (Wunsch and Lechner 2008), and in meta-analyses of US and European training programs (Greenberg et al. 2004; Card and Kluve 2010).

Some reviews of international studies have sought to explain the mixture of outcomes for different specific training programs. It appears that programs with the largest positive impacts have been targeted at providing unemployed participants with skills that are needed for available jobs in their local labour market, and where a formal qualification is obtained (Martin 1998, 289). There is also some evidence for West Germany that training programs are more effective when the rate of unemployment is higher (Lechner and Wunsch 2009).

Other general lessons

You get what you pay for

A major lesson is that minimal interventions are unlikely to bring about substantial improvements in outcomes for the unemployed. Estimates of the effect of education on earnings in Australia suggest that an extra year of schooling will increase the earnings of an average worker by 5 to 8 percent (Leigh 2008). Most labour market programs are directed at a population with extreme skill disadvantages, and involve a minimal scale of intervention providing just a fraction of the skills or training obtained in a year of schooling. Hence, it should not be surprising that these programs are found to have limited effects.

That minimal interventions are likely to have minimal effects is also a point that has been made in reviews of international studies by Heckman et al. (1999), and Lalonde (1995, 165), who argues with respect to training programs that ‘these programs cost only a few thousand dollars or less per participant. To expect such programs to raise participants’ subsequent annual earnings by several thousand dollars would imply that these social investments have an extraordinary rate of return.’

The ‘threat’ effect of new programs

Many labour market programs are activated at a specific duration in a payment recipient’s unemployment spell. For example, the initial implementation of MOI required an unemployment payment recipient to participate in an approved MOI activity once their unemployment spell duration reached six months. Where an activation date for participation in a program is specified, the possibility exists that a payment recipient might exit payments prior to (or around) that date, in order to avoid participating in the program. This is known as a threat effect. Where threat effects have been looked for, they have almost universally been found to exist.

In Australia several studies found evidence of a threat effect associated with the MOI (see Richardson 2002; Lim 2008; Borland and Tseng 2010). Richardson (2002) examined the rate of exit from payments after the introduction of MOI in 1997 to 1998 and found a significant increase in the rate of exit from payments (about 8–10 percent) just before the six month period ended. Lim (2008) undertook a similar analysis for unemployment payment recipients aged 46–49 years. She found that the requirement to participate in MOI increased the rate of exit from unemployment payments by 3.1 percent, and increased the rate of exit from all payments by 1.6 percent.

International studies of threat effects encompass programs implemented in the US (Black et al. 2003); UK (Dolton and O’Neill 1996; Blundell et al. 2004); Sweden (Carling and Larson 2005); and Denmark (Geerdsen 2006). All these studies found evidence for threat effects – often quite large in size. For example, Black et al.’s (2003) analysis of the Worker Profiling and Re-employment Services System found that the impact of being referred to that program is to reduce average weeks of UI benefit by about 2.2 weeks, most of which is due to a threat effect. Comparing between these international studies establishes that threat effects are weaker where financial penalties associated with program non-participation are larger, and where job search assistance is provided prior to program participation.

The existence of lock-in effects

Outcomes for participants in labour market program are often observed to be worse than for a control group during their period of participation, but once participation in

the program is complete this reverses, with better outcomes for the participants than control group. The initial phase of this pattern has become known as a ‘lock-in effect’. While undertaking a labour market program, participants make the program their main activity and hence are likely to do less job search. It follows that they have a lower probability of moving off payments or into employment during this period. Once participants complete the program, they are able to resume job search, potentially with a higher level of skills or job readiness, and at this time they should have a higher probability of moving off payments or into employment than the control group. However, where the program participants have not gained extra skills, or the extra period of unemployment due to program participation has created negative long-run effects on the probability of obtaining employment (for example, due to employers using unemployment duration to rank job applicants or attaching a stigma to program participants), the reversal may not occur. In this situation, the phase of lock-in causes a permanently lower job finding probability for program participants.

Borland and Tseng (2010; 2011) found evidence of lock-in effects for both WfD and the MOI. During the six months of participation in WfD, more participants moved off unemployment income support than the matched control group of non-participants, with only weak reversal in that pattern once participation was completed. Participation in MOI also caused lower rates of exit from payments than the matched control group during the first 2–5 months after commencement. In this case, however, there was a stronger subsequent reversal, with little difference in outcomes between participants and non-participants by 12 months after MOI activity commencement. Lock-in effects have also been commonly observed in international studies of labour market programs (for example, van Ours 2002; Wunsch and Lechner 2008).

Lessons for policy-makers

We can draw together ten lessons from the preceding evidence review to guide policy-makers.

1. *Active labour market programs cannot by themselves have a major impact on the rate of unemployment.* This is because the rate of unemployment depends primarily on the rate of employment growth, and labour market programs do not significantly affect the total number of jobs that are available in the economy.
2. *The extent of reliance (and spending) on active labour market programs should be tailored to the net benefit they provide to society.* The main policy response to high unemployment should continue to be to achieve higher rates of economic growth. At the same time, some spending on active labour market programs appears justified by the benefits they can provide - for example, where the programs are able to increase the number of unemployed who are ‘job ready’ for when extra jobs become available, or improve the speed of matching between the unemployed and job vacancies.
3. *You get what you pay for.* Outcomes for the unemployed from active labour market programs are related to the scale of intervention. For job-seekers with high levels of disadvantage, programs that work are likely to be relatively expensive. However in doing the benefit-cost calculation on those programs it is important to remember that the payoff may be to create a productive worker for the next 45 years.
4. *Counselling for job seekers has small effects.* This is especially the case for programs that involve a limited scale of intervention and are targeted at highly

disadvantaged groups such as long-term unemployed. There is mixed evidence on the relative effectiveness of provision of job counselling by public sector agencies compared to private sector suppliers. Where the counsellors' role is to assign unemployed to labour market programs, some evidence suggests that it is better to make assignment dependent on a statistical rule rather than allowing discretion to case managers.

5. *Job search verification programs can have quite large effects in shifting job-seeker participants off income support.* These programs seem to work mainly by increasing participants' job search activity, and hence their impact on labour market outcomes for job seekers varies with demand in local labour markets. A major caveat is that improved outcomes for participants in job search verification programs appear to be mainly at the expense of job-seekers who do not participate in the job search programs.
6. *Administration matters.* Participation in active labour market programs – even for programs deemed compulsory – will depend to a significant extent on how the program is implemented by case managers.
7. *Private sector job creation programs, such as wage subsidies, are effective in improving employment outcomes for job-seekers.* Private sector programs appear to work by giving job seekers the opportunity to demonstrate to employers that they have the skills to undertake the job to which they are assigned. However, a shortcoming of these programs is that employers may only be willing to take on participants they regard as relatively 'job ready'.
8. *Public sector job creation programs generally have a zero or negative effect on outcomes for job-seekers.* The major weaknesses of these programs are the lack of skill development and the absence of a pathway to a permanent job.
9. *Evidence on formal education and training programs is mixed.* The most positive effects of these programs are found for women, the weakest for youth. There is some evidence that training programs have larger long-run than short-run effects.
10. *Threat effects and lock-in effects are important.* A threat effect can occur where job seekers exit welfare payments in order to avoid the requirement to participate in an active labour market program. The experience of program participation can also be associated with a lock-in effect where outcomes for participants are made worse during their period in the program.

Together these lessons suggest the following model for policy-making. Existing models of job search counselling and assistance and wage subsidy programs are good ways to assist the unemployed who are job ready and less disadvantaged. To assist the unemployed with higher levels of disadvantage, priority should be given to programs that create jobs with opportunities for linked training, and where those jobs provide a pathway to permanent job. Implementing this approach is likely to be best done at a decentralised level via relationships between a) businesses that are willing to provide opportunities for the unemployed and b) the not-for-profit/service providers who can do the work of giving the unemployed the basic capabilities employers require to take them on. It follows that government funding of services for the unemployed needs to facilitate decentralised and local solutions. These are likely to involve tailored intervention and may be relatively expensive.

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Appendix 1: Summary table of studies reviewed

Study	Program	Target population	Method	Outcome measures and findings
Borland, Tseng and Wilkins (2013)	YP4 (2005-09): Assignment of a case manager for 18-30 months with the objective to provide integrated service delivery targeted at the client's needs.	Aged 18 to 35 years, in receipt of Newstart Allowance or Youth Allowance (other), homeless or with a history of homelessness, and 'disadvantaged', as evidenced by eligibility for the <i>Personal Support Program (PSP)</i> , <i>Job Placement, Employment and Training (JPET)</i> program or <i>Intensive Support-Customised Assistance (ISCA)</i> .	<i>RCT</i> (Plus PS matching due to evidence that randomisation was not achieved) (Control group do not receive case management)	<i>Outcomes:</i> Receipt of income support; Employment outcomes; Health and well-being; Community engagement. <i>Findings:</i> No significant effect of participation in YP4 on economic or psychological well-being.
Borland and Tseng (2011)	Work for the Dole (pilot phase: 1997-98): Community-based work experience program. Participation in WfD was required for a maximum of six months, and involved working for six hours per day for two days if aged 18 to 20 years, and working for six hours per day for two and a half days if aged 21 to 24 years.	Recipients of Newstart Allowance aged 18 to 24 years on full rate of income support who had been in receipt of income support for at least six months.	<i>Exact matching:</i> Treatment group is payment recipients who commence WfD in sample period. Control group is matched payment recipients who never commence WfD in sample period. CIA justified by argument that funding limits in pilot phase of WfD introduced geographic randomness into assignment to WfD in 1997.	<i>Outcomes:</i> Likelihood of moving off welfare payment; Total time spent on welfare payments. <i>Findings:</i> Participation in WfD causes a large significant adverse effect on the likelihood of exiting unemployment payments. For example, participants spend on average 2.2 fortnights longer on payments during first 12 months after commencement of participation in WfD.
Borland and Tseng (2010)	Mutual Obligation Initiative (1997-99): Requirement to participate in an approved activity (eg., part-time work; voluntary work; intensive job search)	Newstart Allowance or Youth Allowance (other) aged 18-24 who have received payments for a continuous period of 6 months.	<i>(a)Threat effect:</i> Difference-in-difference matching – Compare outcome change in outcome from before and after MOI for group aged 18 to 24 years who were required to undertake MOI activity and control group aged 25 to 31 years who were not required to participate. <i>(b) Participation effect:</i> PS Matching: Treatment group is payment recipients required to participate in MOI who commence MOI at each of 13 th to 22 nd fortnights of payment spell. Control group is matched	<i>Outcoms:</i> Whether exit from income support payments. <i>Findings:</i> (a) Threat effect – On introduction of MOI there is significant increase in rate of exit from payments for group of income support recipients required to participate in MOI compared to control group. However, that effect decreases significantly for payment recipients whose spells on payments commence at later dates. (b) Participation effect: Strong evidence of lock-in effects. At six months after commencement of MOI activity the participant group have a probability of exiting payments that is

Study	Program	Target population	Method	Outcome measures and findings
Commonwealth DEEWR (2010a)	Multiple programs associated with activity test requirements for receipt of Newstart and Youth allowances – for example, Mutual Obligation; Work for the Dole; Job Placement, Employment and training (2007-08)	Newstart and Youth allowance recipients eligible to undertake each type of program who commenced in the respective program in February 2007.	<p>payment recipients who are required to participate in MOI but who had not commenced in MOI by that specified fortnight.</p> <p><i>Regression modelling:</i> (1) Estimate relation between observable characteristics and outcome variable for control group; (2) Use results from stage (1) to predict outcomes for program participants; (3) Compare predicted outcomes from stage (2) with actual outcomes for participant group.</p>	<p>lower than the control group by 6 percentage points.</p> <p><i>Outcome:</i> Whether off income support payments at 12 months after program commencement (March 2008). <i>Findings:</i> Participation in programs generally found to reduce likelihood of being on payments. For example, participation in WfD lowers incidence of receipt of payments by 10.3 percentage points; and participation in MOI lowers incidence of receipt of payments by 6.9. Only negative effects for Personal Support Programme and Job Placement, Employment and Training Programme.</p>
Commonwealth DEEWR (2010b)	Indigenous Employment Program (2005-07): Structured Training and Employment Projects (STEP): Financial assistance for projects that provide structured training and can lead to a permanent job; Wage assistance: Payment of wage subsidy for up to 26 weeks to employer who gives a job to an eligible Indigenous jobseeker.	STEP: Indigenous Australian; Wage assistance: Indigenous jobseekers registered with Centrelink and on an eligible income support payment; or under 21 and not on income support; or participant in CDEP or disability support services.	<p><i>Regression modelling:</i> (1) Estimate relation between observable characteristics and outcome variable for control group; (2) Use results from stage (1) to predict outcomes for program participants; (3) Compare predicted outcomes from stage (2) with actual outcomes for participant group.</p>	<p><i>Outcome:</i> Whether have moved off income support payments. <i>Findings:</i> Participation in STEP increases proportion of payment recipients who have moved off payments by 12.5 percentage points at 12 months after program commencement. Participation in wage assistance scheme increases proportion of payment recipients who have moved off payments by 12.2 percentage points at 12 months after program commencement. Size of impact decreases with time since commencement in the program.</p>

Study	Program	Target population	Method	Outcome measures and findings
Lim (2008)	Mutual Obligation Initiative (2002-04): Requirement to participate in an approved activity (eg., part-time work; voluntary work; intensive job search)	Newstart Allowance or Youth Allowance (other) aged 46-49 who have received payments for a continuous period of 6 months.	<i>Difference in difference:</i> Compare change in outcomes for payment recipients aged 46 to 49 years (required to undertake MOI after 1 July 2002) from before and after introduction of MOI with change in payment outcomes for payment recipients aged 50 to 53 years (not required to participate in MOI).	<i>Outcome:</i> Whether exit from unemployment payments. <i>Findings:</i> Requirement to participate in MOI increases the rate of exit from Newstart Allowance in fortnights 12 to 15 of payment spell by 3.1 percentage points; and increases the rate of exit from all payments by 1.6 percentage points (from just prior to just after the commencement of participation in MOI).
Johnson (2007)	Working Nation (1994-97): Job Compact provides case management and a guarantee of a job placement for 6 months (subsidised placement or public sector job creation).	Unemployment payment recipients aged 15 to 59 years with spells of 18 months or more and recipients assessed as being at risk of long-term unemployment.	<i>PS Matching:</i> Three treatment groups who are assigned to participate in training, wage subsidy program, or public sector job creation. Control group does not participate in any of those programs. CIA justified by argument that assignment is on basis of observables – length of unemployment spell or JSC index.	<i>Outcomes:</i> Probability of employment and unemployment 24 months after commencement in program. <i>Findings:</i> Participation in wage subsidy program increases probability of employment by 21 percentage points and reduces probability of unemployment by 10 percentage points relative to non-participation. No significant effect of public sector job creation or training compared to non-participation.
Borland and Tseng (2007)	Job Seeker Diary (1997-98): Requirement to provide details of specified number of job applications each fortnight over initial 3 months of unemployment payment spell.	Newstart payment recipients commencing payment spells who are subject to the activity test and whose activity type is job search aged 18-49 years	<i>PS Matching:</i> Treatment group is payment recipients who commence JSD in 1 st fortnight of spell. Control group is matched payment recipients who do not commence JSD in 1 st fortnight of spell. CIA justified by argument that industrial relations dispute introduced geographic randomness into assignment to JSD in 1996.	<i>Outcomes:</i> Likelihood of moving off welfare payment; Total time spent on welfare payments. <i>Findings:</i> Participation in JSD significantly increases the likelihood of exiting payments, and reduces total time spent on payments. For example, participating immediately in JSD reduces time spent on payments by 0.9 fortnight in the first 12 months after commencing the JSD. About half of JSD participants estimated to have reduced time on payments. Largest effects of JSD occur for payment recipients for whom labour demand conditions are the most 'favourable'. Cost-benefit analysis suggests a fairly large social gain for program participants.

Study	Program	Target population	Method	Outcome measures and findings
Commonwealth DEWR (2006)	Job Search Training, Intensive Assistance and Work for the Dole (2004-05)	Newstart and Youth allowance recipients eligible to undertake each type of program who commenced in the respective program in February 2004.	<i>Regression modelling:</i> (1) Estimate relation between observable characteristics and outcome variable for control group; (2) Use results from stage (1) to predict outcomes for program participants; (3) Compare predicted outcomes from stage (2) with actual outcomes for participant group.	<i>Outcome:</i> Whether in employment at 12 months after program commencement (February 2005). <i>Findings:</i> Increase in incidence of employment for Job Search Training, Work for the Dole and MOI of 11.2, 7.3 and 8.2 percentage points respectively.
Breunig, Cobb-Clark, Dunlop and Terrill (2003)	Assisting the long-term unemployed (2000-01): Requirement to attend two face-to-face interviews with a Centrelink case manager.	Individuals receiving Newstart allowance for 5 years or more.	<i>RCT</i> (Plus PS matching due to evidence that randomisation was not achieved) (Control group do not receive case management)	<i>Outcomes:</i> Economic participation (for example, average weekly hours working, looking for work, and studying/training); Social participation (for example, proportion engaged in voluntary work). <i>Findings:</i> Only effect on social participation – Rate of participation in social activity with friends or club membership is higher by 7.5 percent.
Richardson (2003, chapter 4)	Mutual Obligation Initiative (1997-98): Requirement to participate in an approved activity (eg., part-time work; voluntary work; intensive job search)	Newstart Allowance or Youth Allowance (other) aged 18-24 who have received payments for a continuous period of 6 months.	<i>Regression:</i> Compare outcomes between groups in eligible population who participate in each different approved MOI activity with outcomes for payment recipients in eligible population who do not participate in MOI.	<i>Outcome:</i> Whether exit from unemployment payments. <i>Findings:</i> Higher rate of exit when MOI activity is part-time work, intensive job search, education/training or voluntary work than when MOI activity is WfD or MOI plus funded assistance

Study	Program	Target population	Method	Outcome measures and findings
Richardson (2002)	Mutual Obligation Initiative (1997-98): Requirement to participate in an approved activity (eg., part-time work; voluntary work; intensive job search)	Newstart Allowance or Youth Allowance (other) aged 18-24 who have received payments for a continuous period of 6 months.	<i>Difference in difference:</i> Compare change in outcomes for payment recipients aged 23-24 years (required to undertake MOI) from before and after introduction of MOI with change in payment outcomes for payment recipients aged 25-26 years (not required to participate in MOI).	<i>Outcome:</i> Whether exit from unemployment payments. <i>Findings:</i> Requirement to participate in MOI increases the rate of exit from payments in fortnights 12 to 15 of payment spell from about 8 per cent to 10 per cent (from just prior to just after the commencement of when participation in MOI occurs).
Barrett and Cobb-Clark (2000-01)	Parenting Payment Intervention Pilot (1999): Parenting payment recipients either asked to voluntarily have an interview with a JET adviser or compelled to have that interview.	Specified groups of Parenting Payment recipients – for example, those in receipt of PP for more than 5 years.	<i>RCT</i> (Control group are PP recipients from same specified groups of PP recipients who are not asked or compelled to attend interview)	<i>Outcomes:</i> Interview take-up rates; Effect of interview on plans for training. <i>Findings:</i> Significant effect of intervention on interview attendance (81% compulsory group; 17% voluntary group). Effect of interview on plans similar between compulsory and voluntary groups.
Stromback and Dockery (2000)	Working Nation (1994-97): Job Compact provides case management and a guarantee of a job placement for 6 months (subsidised placement or public sector job creation).	Unemployment payment recipients aged 15 to 59 years with spells of 18 months or more and recipients assessed as being at risk of long-term unemployment.	<i>Regression:</i> Compare outcomes between groups who participate in each different Job Compact activity with outcomes for payment recipients in who do not participate in a labour market program.	<i>Outcome:</i> Whether exit from unemployment payments. <i>Findings:</i> Participation in a Job Compact program associated with a higher rate of exit from payments. Larger effects for wage subsidy and direct job creation programs, and smaller effects for training and job search assistance.
Commonwealth DEWRSB (2000)	Work for the Dole (1999): Requirement to contribute to a specified project of benefit to the community.	Recipients of Newstart Allowance (NSA) aged 18 to 24 years on full rate of income support who had been in receipt of income support for at least six months.	<i>Matching:</i> Treatment group is job seekers who left a WfD project in August 1999. Control group is job seekers who had not participated in or been referred to WfD in the six months prior to August 1999. Matching done using age, gender and duration on benefits.	<i>Outcome:</i> Whether had left income support payments. <i>Findings:</i> 30 percent of WfD participants had left payments six months after August 1999 compared to 17 percent for control group.

Study	Program	Target population	Method	Outcome measures and findings
Richardson (1998)	Special Youth Employment Training Program (1984-87): Wage subsidy paid for 17 weeks to employers willing to give a job to an eligible unemployed person	Unemployment payment recipients aged 15-24 years who had been unemployed and not in full-time education for at least four of the last twelve months.	<i>Instrumental variables:</i> First-stage model for participation in SYETP. Second-stage model for subsequent employment outcomes including whether participated in SYETP as an explanatory variable.	<i>Outcome:</i> Probability of employment. <i>Findings:</i> Participants in SYETP are 26 percent more likely to be in employment at 8 to 13 months after participation in SYETP, and 20 percent between 14 to 26 months after participation. Effect is mainly due to participants retaining their initial job beyond the subsidy period.