



Extract from the report to the
Public Accounts Committee on
the effect of participation in active
labour market programmes of welfare
benefit recipients who are not ready
for the labour market

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I. Introduction and results

1. This report is about whether participation in active labour market programmes of welfare benefit recipients who are not ready for the labour market has a positive employment effect.

Rigsrevisionen has conducted the examination on the basis of the efforts made since 2002 to help welfare benefit recipients who are not ready for the labour market into the labour market. The majority of welfare benefit recipients belong to this group.

2. Legislation divides recipients of social welfare into two categories; the first one includes recipients of welfare benefits whose only problem is that they are unemployed and registered as such. The other category includes welfare benefit recipients who are not ready for the labour market, who have other problems besides being unemployed and who are not covered by the labour market statistics. The welfare benefit recipients who are not ready for the labour market may, for instance be facing problems like ill health, substance abuse or inadequate social or professional skills. The report is dealing with the efforts directed at people belonging to the latter category.

3. Over the last nine years, active employment measures have undergone several changes, but the objective of the measures – employment – has remained the same in the period under audit, i.e. 2002 to 2009. The active labour market programmes include 1) counselling and upgrading of qualifications, 2) on-the-job training in public or private enterprises or 3) subsidised work placement in public or private enterprises.

4. Public expenditure for active labour market programmes for welfare benefit recipients who are not ready for the labour market has increased since the launch of the special initiative: "A new chance for everyone" in 2006, and the subsequent right and obligation to repeated participate in active labour market programmes. In 2006, total public expenditure for active labour market programmes for welfare benefit recipients who were not ready for the labour market amounted to approx. DKK 1.6 billion, calculated as a proportional share of the total expenditure for active labour market programmes for all welfare benefit recipients. In 2009, total public expenditure for this group amounted to approx. DKK 2.3 billion. The government carried approx. one third of the total expenditure in the period 2006 to 2009. In the same period, the number of welfare benefit recipients who were not ready for the labour market dropped from well over 73,000 to well over 69,000 full-time equivalents.

5. The Ministry of Employment is determining the overall framework for the active labour market programmes, whereas the municipalities are responsible for the practical implementation which should ensure that the effort is individualised and thus taking into consideration the resources and requirements of the individual participant.

In the period from October 2005 to 2010, the municipal caseworkers assigned the welfare benefit recipients to five different match groups on the basis of their employability, i.e. their professional and social skills and the needs of the local labour market. The welfare benefit recipients who were not ready for the labour market were assigned to either match group 4,

Welfare benefit recipients who are not ready for the labour market are defined as "individuals who receive welfare benefits or start-help in accordance with the act on active social policy, not only because they are unemployed", cf. act no. 419 of 10 June 2003 on an active employment measures, section 2(3).

Self-support

An individual who is not receiving public income support is self-supporting.

Rate of self-support

The percentage share of time each quarter that the individual is self-supported.

Rate of employment

The percentage share of time that the individuals are employed. Calculated annually on the basis of payments made to the Danish Labour Market Supplementary Pension Fund. Payments to the Labour market Supplementary Pension Fund includes income above a certain minimum level, but not income earned by self-employed.

Threat effect

Unemployed persons often seek and find employment immediately prior to their scheduled participation in an active labour market programme and therefore do not participate in the programme.

Selection effect

Unemployed individuals refrain from applying for welfare benefits to avoid, for instance the obligation to participate in active labour market

if the caseworker assessed that the match between skills and the labour market was low, or match group 5 with no match between skills and the needs of the labour market.

6. The report describes the post-programme effect of the initiatives taken by the Ministry of Employment as regards measurement and follow-up on participation in active labour market programmes.

Rigsrevisionen has furthermore commissioned a registry study consisting of an effect study of the participation in active labour market programmes of welfare benefit recipients and a descriptive study of said group. The participants in the effect study are welfare benefit recipients who are not ready for the labour market, and who in the first quarter of 2006 in consultation with their caseworker decided to participate in an active labour market programme. The post-programme effect on the rate of self-support is examined for the period 2006 to 2009. The post-programme effect on the employment rate has only been examined for 2006, as no data are available for the period 2007 to 2009. The examination of the post-programme effect on the rate of self-support was repeated for the 1st quarter of 2007, but not for subsequent periods which were too short to provide a reliable basis for an analysis of the effects.

In the effect study, the effect on the individuals that are participating in active labour market programmes is being analysed, i.e. the post-programme effect on upgrading of qualifications as a result of participation in the activation programme. Also the locking-in effect, which occurs during the initial phase of the programme, is being analysed. But the effect on others than the participants in the active labour market programmes is not analysed, i.e. neither the threat effect nor the selection effect.

Rigsrevisionen initiated the examination in June 2009.

7. The objective of the examination is to assess whether participation in active labour market programmes of welfare benefit recipients who are not ready for the labour market has a positive employment effect.

The report answers the following questions:

- Has the Ministry of Employment obtained knowledge of the effectiveness of participation in active labour market programmes of welfare benefit recipients who are not ready for the labour market?
- Does participation in active labour market programmes bring welfare benefit recipients who are not ready for the labour market into employment in the period 2006 to 2009?

MAIN FINDINGS AND CONCLUSIONS

The objective of participation in active labour market programmes is for the participants to obtain employment. Rigsrevisionen's effect study shows that participation in active labour market programmes of welfare benefit recipients who are not ready for the labour market did not have a positive post-programme employment effect for this group in 2006.

The Ministry of Employment has strived to obtain knowledge of the effectiveness of the various active labour market programmes directed at welfare benefit recipients who are not ready for the labour market. The Ministry has commissioned a number of qualitative as well as quantitative studies of the welfare benefit area.

The Ministry of Employment has continuously been focused on enhancing the quality of the studies. At the same time, the Ministry's possibilities of commissioning more complex studies have been improved as more detailed data on active labour market programmes and public income transfers have become available.

In 2009, the Ministry of Employment commissioned a study which provided evidence that weekly sessions between the welfare benefit recipient and his/her caseworker led to increased participation in active labour market programmes, but did not increase the rate of self-support; the welfare benefit recipients who were not ready for the labour market were not motivated to become self-supported.

Rigsrevisionen has in the effect study analysed the post-programme effect of participation in active labour market programmes, i.e. the effect on those participating. Therefore, the effect study is not addressing the effects on the welfare benefit recipients that are not participating in the programmes nor the threat and selection effects. Thus Rigsrevisionen's effect study does not comprise all the aspects related to active labour market programmes.

In the report, Rigsrevisionen uses the term 'the post-programme effect' when referring to the effects of participation in the active labour market programmes that are included in the effect study. The post-programme effect includes the effects of improved qualifications and the locking-in effect of those participating in the programmes.

According to the Ministry of Employment, Rigsrevisionen has not in its analysis included the selection and threat effects, nor the effects of economic incentives, and consequently the overall effect of participation in active labour market programmes must be assumed to be more positive than indicated by Rigsrevisionen's analysis of the effects on upgrading of qualifications and locking-in.

Irrespective of the comments made by the Ministry of Employment, Rigsrevisionen is of the opinion that the study of the effect of participation in active labour market programmes of welfare benefit recipients who are not ready for the labour market indicates quite clearly a lack of effect, and the Ministry of Employment should therefore continue to investigate and obtain knowledge of how active labour market programmes can bring welfare benefit recipients who are not ready for the labour market into the labour market.

This overall assessment is based on the following factors:

The Ministry of Employment has obtained knowledge on the effect of participation in active labour market programmes of welfare benefit recipients who are not ready for the labour market. The Ministry has commissioned a number of studies and has continuously been focused on enhancing the quality of the studies. At the same time, the Ministry's possibilities of launching more complex studies have improved. Determining the effectiveness of the various efforts made is an essential challenge for the Ministry because the welfare benefit recipients who are not ready for the labour market are facing significant problems besides being unemployed.

Development in number of welfare benefit recipients in the audit period

- In the period 2006 to 2009, the total number of welfare benefit recipients decreased from just under 116,000 to just under 103,000 individuals. In the same period the number of welfare benefit recipients who were not ready for the labour market decreased from well over 73,000 to well over 69,000 individuals.
- 16 per cent of the welfare benefit recipients who were assigned to match group 4 at the beginning of 2006 (low match between qualifications and labour market needs) were self-supported three years later. 7 per cent of the welfare benefit recipients who were assigned to match group 5 at the beginning of 2008 (no match between qualifications and labour market needs), were self-supported three years later.
- 16 per cent of the welfare benefit recipients which were in match group 4 at the beginning of 2006 were on permanent public income support three years later. 42 per cent of the welfare benefit recipients who were assigned to match group 5 at the beginning of 2006 were on permanent public income support three years later.
- In 2006, 70 per cent of all welfare benefit recipients who were not ready for the labour market had been dependent on welfare benefits for at least 80 per cent of the time in each of the three years preceding 2006. In 2008 this number had decreased to 69 per cent.

Target group

- Welfare benefit recipients who are not ready for the labour market are well defined by legislation as a group of people who has other problems besides being unemployed. However, it is not a homogeneous group, as it includes individuals who could become ready for the labour market quite quickly as well as individuals with severe social and health problems.

Objective

- The objective of participation in active labour market programmes of welfare benefit recipients who are not ready for the labour market is to help them obtain employment. The Ministry of Employment has stated that bringing welfare benefit recipients who are not ready for the labour market closer to the labour market is considered a step towards employment.
- Due to the difficulties related to delimiting the phrase “closer to the labour market”, the Ministry of Employment has initiated a research-based development project late in 2007 in order to develop methods for measurement of the interventions towards welfare benefit recipients who are not ready for the labour market.

Goals and achievement of goals set for the active labour market programmes

- The Ministry of Employment and the Ministry of Finance have in cooperation set the structural goals for the effect of employment measures; the structural goals are based on estimates which cannot be empirically verified, but are re-assessed once a year. The structural goals set for the effect of employment measures are based on expectations to the total contribution from post-programme effects, locking-in, threat and selection effects.
- The goal of the employment policy conducted in the period 2002 to 2010 was that initiatives towards welfare benefit recipients who were not ready for the labour market resulted in an increase in the structural employment of approx. 11,000 persons. 11,000 persons make up between 15 and 17 per cent of all welfare benefit recipients that were not ready for the labour market during the years 2006 to 2009.
- The Ministry of Employment has not, as a supplement to the estimated structural goals, defined any specific goals for the number of welfare benefit recipients who are not ready for the labour market who should find employment as a result of participation in active labour market programmes.
- Total public expenditure for active labour market programmes for welfare benefit recipients who are not ready for the labour market amounted to approx. DKK 1.6 billion in 2006, approx. DKK 2.2 billion in 2007, approx. DKK 3.3 billion in 2008 and approx. DKK 2.3 billion in 2009 calculated as the proportional share of the total expenditure for active labour market programmes for all welfare benefit recipients. The government carried approx. one third of the total expenditure in this period.

Expected impact

- In 2001, the responsibility for the welfare benefit recipients who are not ready for the labour market was taken over by the Ministry of Employment. The Ministry had favourable experience with active labour market programmes for claimants of unemployment benefits and expected to achieve the same results with this particular group of welfare benefit recipients.
- The Ministry of Employment has since 2001 commissioned a number of qualitative as well as quantitative studies of the welfare benefit area. The studies, most of which were based on pre- and post-activation programme measurements, showed that participation in active labour market programmes had a positive effect.
- The Ministry of Employment has continuously been focused on enhancing the quality of the studies. At the same time, the Ministry's possibilities of launching more complex studies have improved as more detailed data on active labour market programmes and public income transfers have become available.

- In 2009, the Ministry of Employment commissioned a study which provided evidence that weekly sessions between the welfare benefit recipient and his/her caseworker led to increased participation in active labour market programmes, but did not increase the rate of self-support; the welfare benefit recipients who were not ready for the labour market were not motivated to become self-supported.
- The Ministry of Employment has not conducted a more detailed analysis of the post-programme employment rate and, over a number of years, the rate of self-support for all welfare benefit recipients who are not ready for the labour market and who have, at one point in time, participated in active labour market programmes.

Rigsrevisionen's effect study shows that participation in active labour market programmes of welfare benefit recipients who are not ready for the labour market did not help them into employment. Thus participation in active labour market programmes had a negative effect on both the rate of self-support and the unemployment rate, i.e. the participants were self-supported or employed for shorter periods of time during the period 2006 to 2009 than those who did not participate. The Ministry of Employment should continue its efforts to investigate and obtain knowledge of the effectiveness of activation programmes directed at welfare benefit recipients who are not ready for the labour market.

Active labour market programmes

- Legislation is not suggesting that specific measures should be directed at welfare benefit recipients who are not ready for the labour market; active labour market programmes are the same for all welfare benefit recipients.
- The municipalities are required by law to conduct a comprehensive assessment of the individual welfare benefit recipient's situation and needs. The job centre is required to refer the client to a relevant municipal programme, if support of a social nature as well as employment measures are considered necessary.
- Welfare benefit recipients who are ready for the labour market and those who are not ready for the labour market are subjected to the same, most frequently used, main categories of employment measures.
- Participation in active labour market programmes of welfare benefit recipients who are not ready for the labour market and assigned to match group 4 increased from well over 30 per cent of the time at the beginning of 2006 to well over 40 per cent of the time at the beginning of 2009. Participation in active labour market programmes of welfare benefit recipients belonging to match group 5 increased from 15 per cent of the time at the beginning of 2006 to well over 20 per cent of the time at the beginning of 2009. Participation in active labour market programmes gained momentum approx. six months into 2006 when special measures under the government's scheme: "A new chance for everybody" were implemented, including the right and obligation of this group to participate in repeated active labour market programmes.

Effect study of active labour market programmes in the period 2006 to 2009

- The welfare benefit recipients who were not ready for the labour market did not become self-supported in the three-year period 2006 to 2009 following participation in active labour market programmes at the beginning of 2006.
- The welfare benefit recipients who were not ready for the labour market did not find employment in 2006 as a result of participation in active labour market programmes at the beginning of 2006.
- According to the Ministry of Employment a study of the effect of participation in active labour market programmes made early in 2006 is not indicative of the effect of participation in active labour market programmes implemented in subsequent periods.
- The Ministry of Employment has stated that because Rigsrevisionen has not in its analysis included the effect of selection and threat, nor the effect of economic incentives, then the overall effect of participation in active labour market programmes must be assumed to be more favourable than indicated by Rigsrevisionen's analysis of the upgrading of qualifications effect and locking-in effect.
- The Ministry of Employment has stated that it has launched a pilot project: "On the right path towards employment" that is focused on coordinating participation in active labour market programmes with the social authorities and the healthcare sector to increase the individual client's opportunities of returning to the labour market.
- Rigsrevisionen is of the opinion that the Ministry of Employment should continue its investigations into the effectiveness of the active labour market programmes directed at welfare benefit recipients who are not ready for the labour market. Rigsrevisionen finds it encouraging that the Ministry has launched a pilot project with focus on coordination in order to increase the individual client's opportunities of returning to the labour market.