

DIFFERENTIAL PERFORMANCE OF THE SWEDISH ACTIVE LABOUR MARKET PROGRAMMES FOR UNEMPLOYED ADULTS IN THE 1990S

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Confronted with high and persistent unemployment, several OECD countries have been introducing or expanding their active labour market programmes in the 80s and especially 90s. This surge in interest and concomitant rise in public spending begs the obvious question of whether programmes of differing costs such as job broking, re-training, job creation in the public sector and job subsidies do indeed work, and whether they all work equally well.

In this presentation we directly assess the relative performance of different programmes by exploiting the potentially highly instructive institutional set-up in Sweden, a country which has been extensively relying on a rich menu of such measures and which has often been regarded as a model. Furthermore, broad lessons can be learnt from the Swedish case as to the interdependence between passive and active measures, the subject of recent policy debate.

We evaluate the differential performance of the six main programmes available in the 1990s to adult unemployed workers entitled to unemployment benefits: labour market training, workplace introduction, work experience placement, relief work, trainee replacement and employment subsidies. Outcomes being assessed are short- and long-term employment rates as well as the probability of collecting unemployment benefits over time.

Our findings highlight some interesting conclusions. The magnitude and even the sign of the various effects were found to change over time since programme entry, underscoring the importance of looking at outcomes in both the short- and longer term. Overall, programme effects were found to be widely heterogeneous across programme type, with different types of measures often displaying diametrically different impacts on individual outcomes. In particular, those programmes providing subsidised job experience and on-the-job training (i.e. job subsidies and trainee replacement) were found not only to be cheaper, but considerably more effective than vocational classroom training in terms of participants' labour market performance. Further, the more closely the task performed on a programme resembles regular work, the higher are the benefits of the programme to its participants. In fact, those programmes on which participants did not perform particularly relevant tasks (i.e. relief work, workplace introduction and work experience placement) appeared to be simply used as vehicles to renew benefit eligibility, inducing job-seekers to drift into long-term unemployment and benefit dependency.