

Evidence review: **Responding to local economic shocks**

July 2019

Summary

- Outplacement services, or taskforces, can increase the earnings of workers made redundant over the longer term, particularly for younger workers.
- Training programmes are generally effective for displaced workers, but the benefits tend to accrue over the longer term with limited short-term impacts.
- Assistance in identifying and applying for jobs may, in some circumstances, be just as effective as training, at least in the short term.
- Hiring subsidies can produce large increases in employment but there is often substantial deadweight, where employers would have taken on individuals in absence of the subsidy.
- The response and set of interventions used to support displaced workers should reflect specific circumstances and context. Interventions are likely to be more effective when tailored to local skills demand and engaging employers can support the development of relevant interventions and timely responses. Consideration of labour market trends can help design interventions which produce more sustained, longer-term impacts.
- Interventions may also be more effective when drawing on assistance from specialised local partners in order to deliver a combination of support elements.
- The evidence on the effectiveness of interventions to support increases in employment and earnings linked to new infrastructure developments and firm relocations into an area is limited, in part because the policy response tends to be more limited. Available evidence points towards the importance of well-resourced, effective partnership working, links between training providers and employers, and the role of job brokerage services.

Background

There were a number of firm closures and significant job losses during, and in the aftermath, of the 2008 financial crisis. Some of the most recent examples include the closure of the steelworks in Redcar and Port Talbot. These closures have significant employment effects in the immediate term and impacts on people's future employment and earnings prospects.

Local labour markets can also be significantly impacted by new developments or relocations that result in significant job gains (Crossrail, for example). Local partners will often have a role to play in helping organisations recruit locally and ensure local residents have the skills necessary to access new job opportunities.

This review explores the national and international evidence on what works to support displaced workers back into work to help inform responses in local areas. Displaced workers are usually defined as individuals with a stable employment history who have been made redundant and have little chance of being recalled to jobs with their old employer or industry. The review also includes an overview of the evidence as it relates to positive economic shocks and what works to improve residents' local employment and earnings as a result.

What types of intervention?

The types of intervention designed to support better employment outcomes for residents and workers include recruitment, training, retraining, outplacement support, post-redundancy support, re-employment services and entrepreneurship support.

Quality of the evidence

This review includes robust evaluations from the UK, Europe and the US examining the effectiveness of initiatives designed to support displaced workers back into work. These studies use Randomised Control Trials (RCTs), where individuals are randomly assigned either on to the programme or into a control group, to assess the effectiveness of interventions. This review includes two studies that use RCTs. These studies give us high degree of confidence that outcomes can be attributed to participation in that specific programme.

At the next level down in terms of evidence quality are studies which used a matched comparator group to create a 'counterfactual'. The counterfactual was used to test the difference between the group that underwent 'treatment' and the group that did not in order to assess the level of impact.

Beyond these studies, the evidence largely uses 'before and after' designs to measure outcomes. These initiatives focused on recording registrations and participant attainment, alongside the use of qualitative evidence, to demonstrate the outcomes achieved by the initiatives, as opposed to assessing the level of impact. These studies are useful in identifying lessons learnt from the implementation and delivery of initiatives designed to support displaced workers.

Programmes typically provide a range of support services and evaluations often conflate these to assess the impact of bundles of provision rather than each isolated component. This makes it challenging to identify what specific types of intervention are most effective.

The Rapid Response Service¹ (RRS) is one of the largest schemes in the UK, with a menu of interventions designed to help workers back into work. It became fully operational in 2002. The RRS is not include in the review as there are no formal evaluations.

¹ See <https://www.gov.uk/guidance/redundancy-help-finding-work-and-claiming-benefits> for more information.

How effective is support for displaced workers?

This section draws on available robust impact evaluations to determine the effectiveness of different types of intervention designed to support displaced workers back into work.

Key initiatives included in the review

Outplacement services (OS)

- OS delivered by Creade in Spain between 1998 and 2003 (including consultation/planning, job-search assistance and interview advice)
- OS in Sweden in response to the closure of the Uddevalla Shipyard and the LKAB mines which led to large-scale redundancies (including job-search services, labour market training and award grants for business start-ups)
- OS aggregated across the Netherlands based on data from social plans drawn up by employers (social plans are not legally compulsory but many collective labour agreements do oblige it and, in the absence of a plan, employees who are laid off can challenge the redundancy)

Active Labour Market Policies (ALMPs)

- A social experiment, conducted in Denmark in 2005-6, to investigate the effects of an intensification of ALMPs on re-employment stability.
- An ALMP for disadvantaged workers in a depressed area of Italy including employment subsidies, counselling, tutoring and job brokerage.
- Two large-scale ALMPs implemented in Sweden in response to mass redundancies between 1983 and 1985.

Retraining

- 'ReAct' rapid response service in Wales designed to provide pathways to employment for those recently or about to be made redundant. Provision: a training grant for displaced workers and Recruitment Support / Training Support for employers.
- The Austrian Steel Foundation Redundancy-Retraining Project. Mandatory full-time training preceded by an initial six-week 'occupational orientation'.
- PACE provides support to those about to be / recently made redundant in Scotland. Key elements of support: practical advice on getting a new job; identification of learning and training opportunities; business start-up advice and support.
- Skills Conditionality pilot - a referral mechanism by which individuals claiming unemployment benefits can be mandated onto essential skills training.
- Sector Based Work Academies – either employer based (where an employer works with JCP and a college to prepare a stream of job applicants) or Skills Provider based model – where providers seek to prepare candidates for a range of vacancies across a sector

Employment services

- An experiment in Buffalo, New York as part of the US Department of Labor Dislocated Worker Demonstrator project. Classroom and on-the-job training and job-search assistance were provided to displaced steel and auto workers.
- Similar programmes in other parts of the US, the Texas Worker Adjustment Demonstration and New Jersey Unemployment Insurance.

Support for entrepreneurship

- Business start-up subsidies for the unemployed in Germany. The Bridging Allowance provided relatively high financial support to unemployed workers for 6 months and the Start-Up Subsidy provided lower monthly lump-sum payments for three years.
- ALMPs in Eastern Europe including entrepreneurship assistance for the unemployed.
- Four ALMPs in Romania in the late 1990s which included self-employment assistance such as advice, training and loans.
- Self-employment grants in Sweden. Workers with an approved business idea and financing plan receive a self-employment grant for six months equivalent to unemployment benefits.

Hiring subsidies

- German government integration supplement for older workers in 1998, offered hiring subsidies targeted at the 50+. The subsidy was up to 50% of labour costs.
- Short-term wage subsidies paid to employers in Germany to assist the unemployed.
- A wage voucher experiment in Dayton, Ohio. Jobseekers were given vouchers identifying them to employers as eligible for a generous wage subsidy.
- Two schemes in Switzerland offering subsidised temporary employment for the unemployed. Non-profit employment programmes (EP) and a subsidy for temporary jobs (TEMP) in private and public firms.
- Six Swedish ALMPs for the unemployed including employment subsidies.
- An ALMP for disadvantaged workers in Italy, which included employment subsidies at €460 per month.

Outplacement services

Private outplacement services or taskforces can provide support prior to and shortly after redundancy. Services will typically include job-search assistance; career planning; education and training; re-employment services; and support for entrepreneurship and counselling services.

Outplacement services can increase unemployment in the short term but lead to earnings gains over the longer term. A study of Creade outplacement services in Spain² found that support increased unemployment spells by two months for group outplacement.³ This outcome suggests that workers who received outplacement services were more demanding in their job selection process and perhaps more confident that, with help, they could gain a job that is a good match for their skills and experience.⁴ A follow up study supports this theory, finding that group outplacement services increased earnings by 28 per

² Arellano, A. F. (2007) *The Effect of Outplacement on Unemployment Duration in Spain*, Fundacion de Estudios de Economica Aplicada

³ Group outplacement services are used in cases of multiple redundancies resulting from economic difficulties mergers, takeovers and strategic plans of the firms. Individual outplacement services are designed for individuals who are leaving a firm due to personal motivations, inadequacy to the position or irreconcilable differences between the employer and individual employee.

⁴ See What Works Centre for Local Economic Growth (2016) Toolkit: Responding to major job losses for a discussion on outplacement and the timing of support

cent for men and 17 per cent for women.⁵ The study of outplacement support provided in response to the closure of the Uddevalla Shipyard and the LKAB mines, which led to large-scale redundancies in Sweden, emphasises the importance of taking a longer-term perspective.⁶ While there was no evidence of outplacement support having any significant short run effect on employment or earnings, over the longer term (6–8 years) employment and earnings were significantly higher among support recipients compared with a comparison group only receiving mainstream support.

The impacts of outplacement services can vary according to worker characteristics. As noted above, outplacement services in Spain resulted in larger gains for men compared to women. Outplacement service and severance pay in the Netherlands were not associated with larger employment or earnings gains on average and severance pay was found to have a small negative effect on wages.⁷ Outplacement services did appear to be effective in reducing unemployment durations for older workers (age 55+), however, and had a positive effect on younger workers (under 35) with a 17% higher average wage in the new job.

Cost-effectiveness issues arise in relation to large and ambitious rapid response outplacement services. Evaluations of the rapid response service ReAct programme 2008-2014 indicate high employment deadweight in relation to three key provisions (vocational training grant, recruitment subsidy and employer training support) which question the cost effectiveness of the scheme (26,498 participants were supported at a cost of £76 million).⁸

Active labour market policies (ALMPs)

Active labour market programmes (ALMPs) typically comprise a combination of several types of interventions, including training, job-brokerage and CV support, and can be targeted at both labour demand and labour supply. The sections following this one look at different aspects of ALMPs.

Active labour market policies (ALMPs) are generally effective in supporting displaced workers.

The majority of ALMPs evaluated were found to be effective at supporting displaced workers into work, although the size of the effect varied considerably. Moreover, two studies, one reviewing an ALMP implemented in a depressed area of Italy and the other reviewing an ALMP implemented in areas of Sweden experiencing large-scale redundancies, found that in addition to raising the probability of employment, the ALMP also improved participant's average monthly earnings above that of a control group.

There is a lack of evidence on the cost-effectiveness of ALMPs. Available evidence highlights the variation in cost across different policies but does not include cost benefit analysis. An evaluation of two large-scale ALMPs implemented in two areas in Sweden in

⁵ Arellano, A. F. (2009) *The effect of outplacement services on earning prospects of unemployed*, Instituto Valenciano de Investigaciones Económicas

⁶ Ohlsson, H. and Storrie, D. (2007) *Long term effects of public policy for displaced workers in Sweden - shipyard workers in the West and miners in the North*, Working Paper, No. 2007:19, Uppsala University, Department of Economics, Uppsala

⁷ Van den Berge, W. (2014) *Displaced workers and the effects of outplacement and severance pay*. CPB Netherlands Bureau for Economic Policy Analysis

⁸ BMG (2016), *Final Evaluation of the ReAct programme 2008-2016*, Welsh Government

response to mass redundancies between 1983 and 1985 found one to have costed £48 million (£26,000 per participant) and another to have costed £200 million, due in large part to the cost of constructing a new motorway.⁹ This variation in costs seemed to be largely attributed to differences in the specific support elements within each ALMP, which would in turn likely be determined by the specific conditions surrounding mass redundancy.

Retraining

Training programmes can come in two forms: generic and tailored. Generic training programmes generally comprise those which aim to provide general skills including numeracy and literacy, as well as soft skills such as confidence, communication and teamwork. Tailored training programmes refer to those providing skills which are relevant to a specific sector, role or a specific firm.

Training programmes are generally effective at improving outcomes for displaced workers. Of the three studies that examine the impacts of training on displaced workers, all find that training increases employment and/or earnings. A retraining programme for displaced workers in France was found to increase time spent in employment by six percentage points.¹⁰ The retraining programme established in response to large scale redundancies led to earnings gains of between five and seven per cent. These increases were sustained: considering the year-by-year effects, over the five years after exiting the programme 'there was no fading out of the impact of training on wages'.

The benefits of training generally accrue over the longer term with limited short-term impacts. Labour market training was provided as a package of support measures to workers made redundant as a result of the closure of a Uddevalla Shipyard and the LKAB mines in Sweden. There is no evidence of the support measures having any significant short run effect on employment or earnings. However, after six to eight years significant economic effects emerged with increases in employment and earnings. The duration of education is likely to have contributed to the length of time it took for these benefits to be realised. The generic nature of the training provided may also have impacted the time required to find an appropriate match for skills that are not so obviously related to a particular occupation or match with a particular employer.

Retraining programmes may be more effective for some groups than others. An Austrian re-training programme was found to have less impact on employment for younger workers compared to older workers.¹¹ This may have been because younger workers in general have less difficulty in re-orienting their career, where older workers might need more assistance. The effectiveness of re-training initiatives also varies between men and women. The effects of the French re-training programme were larger for men than for women (approximately 10 percentage point increase in proportion of time spent in employment for men, compared to 5 percentage points for women).

The effect of training course length varies for different workers. Short training programmes (defined as less than one year) have been found to have the greatest benefits for

⁹ Figures in 2005 values

¹⁰ Cavaco, S., Fougère, D. and Pouget, J (2013). Estimating the effect of a retraining program on the re-employment rate of displaced workers, *Empirical Economics*, Vol. 44 (1), pp 261-287

¹¹ Winter-Ebmer (2001), "Evaluating an Innovative Redundancy-Retraining Project: The Austrian Steel Foundation", March IZA DP No. 277

workers who had higher qualifications and a longer work history. Training combining vocational and general education, typically longer programmes of more than one year, was better for workers with shorter work history.

Re-training can be cost-effective in some circumstances. Cost-benefit analysis of the Austrian retraining programme found, assuming participants would work for an additional 30 years post-training, that total benefits exceeded total costs by a factor of 1.12 to 1.39.

Employment services

Employment support services comprise one or a combination of elements designed to guide participants through the job application process and can include CV advice, interview guidance, job searching, and labour market advice.

Assistance in identifying and applying for job openings may be just as effective as training, in some circumstances, which is more costly. Studies from the US compare the effects of employment support services to training within three different programmes to support displaced workers. An experiment in Buffalo (New York) as part of the US Department of Labor Dislocated Worker Demonstrator project examined how to reduce the adjustment costs of displaced steel and auto workers. Classroom and on-the-job training were associated with large earnings gains, \$122 and \$64 per week respectively, compared to the control group. Earnings gains from job search assistance alone were larger, however, at \$134 per week (with costs equating to just a quarter of those associated with training). The Texas Worker Adjustment Demonstration and New Jersey Unemployment Insurance demonstrated similar, if not larger, differences between job search assistance and training.

Findings on the relative effectiveness of employment support programmes may relate to the period of observation. A Danish study compares job search programmes with training programmes for unemployed individuals (as opposed to just displaced workers).¹² It finds a positive but insignificant effect on employment for job search programmes and a negative but insignificant effect for training programmes. These findings may relate to the ineffectiveness of the training programme or, perhaps more likely given the findings above, the period of observation to measure the impact of intervention was too small.

There is a gap in evidence on the cost-benefits of employment support. One review found that job-search assistance was cost-effective in improving the employment probabilities of unemployed participants.¹³

Support for entrepreneurship

Support for self-employment and entrepreneurial activity is associated with positive economic outcomes. Two German start-up support programmes were found to have large employment and earnings effects over a five-year period. The positive long-run effects were deemed remarkable compared to findings of evaluation studies investigating other programs of ALMP in Germany, such as vocational training or job creation schemes. Self-employment grants used in Sweden – where workers with an approved business idea and financing plan

¹² Blasco, S. and Rosholm, M. (2011). The Impact of Active Labour Market Policy on Post-Unemployment Outcomes: Evidence from a Social Experiment in Denmark. IZA Discussion Paper. 5631

¹³ Brown and Koettl (2015) Active labor market programs - employment gain or fiscal drain? IZA Journal of Labour Economics

receive a self-employment grant for 6 months usually is equivalent to the worker's unemployment benefits – have also been found to be more effective than hiring subsidies.

Evidence is mixed on whether support for entrepreneurship is more effective for particular groups. There is no consensus around which groups benefit most from self-employment support. Results from the two German start-up support programmes suggest the programmes were especially effective for low educated and low qualified individuals, while results were mixed in relation to age. A cross-country study, in contrast, finds positive effects on employment probabilities post-programme for better educated men aged 30-40 but find mixed evidence in relation to earnings.

There is a considerable gap in evidence on the cost-effectiveness of self-employment programmes, particularly over the longer term. One review by found that self-employment initiatives were broadly cost-effective, particularly when combined with advisory services, however were generally only useful for up to 3% of an unemployed workforce.¹⁴ Self-employment initiatives could also potentially accrue high deadweight and displacement effects. These findings were based mainly on evaluations of the short-term cost-effectiveness of self-employment initiatives, meaning that long-term cost-effectiveness is largely unknown.

Hiring subsidies

Hiring subsidies can produce large increases in employment but there is often substantial deadweight. Multiple studies in different national contexts have found that hiring subsidies lead to positive employment outcomes. Hiring subsidies have been found to have large long-term employment gains in Sweden, with an increase in employment probability of 40 percentage points after five years. Wage subsidies are also found to have large and significant favourable effects in Germany – 20 months after taking up a subsidised job, the share of persons in regular employment was nearly 40 percentage points higher for participants compared to non-participants. Effects were slightly larger for women than men and, among West German men, larger among older men (aged 30+). Among older men, the effects were larger for the long-term unemployed i.e. those who had been unemployed for more than one year.

Yet evaluations of the UK ReAct programme suggest high employment deadweight associated with the wage subsidy element. Three quarters of employers surveyed reported that it was very likely / likely that they would have taken on the subsidised recruit without the subsidy. An evaluation of a German government 'integration supplement' for older workers (aged 50+) experiencing job loss, found that hiring subsidies did not positively impact the probability of entering employment, primarily due to deadweight effects.¹⁵ The study noted, however, one exception – for women in East Germany, the scheme led to an increase in exit from unemployment by 6%.

Careful targeting toward more disadvantaged workers, such as inactive and long-term unemployed individuals, leads to the strongest employment outcomes and may

¹⁴ Brown, A and Koettl, J. (2015). Active labor market programs - employment gain or fiscal drain?. IZA Journal of Labour Economics

¹⁵ Boockman, B., Zwick, T. and Maier, M. (2012) Do hiring subsidies reduce unemployment among older workers? Evidence from two natural experiments. Journal of European Economic Association 10 (4): 735-764

improve cost effectiveness. Evidence points to hiring subsidies being most effective for the long-term unemployed.¹⁶ This would suggest that effects are likely to be weaker in rapid response contexts where support is designed to help redundant employees quickly resume employment.

The cost effectiveness of hiring subsidies is compromised primarily by deadweight and displacement. Targeting can limit cost-ineffective deadweight costs. Long-term unemployed workers have low probabilities of becoming employed, therefore deadweight costs can be expected to be much lower. One review found that subsidised employment was either cost-effective or ineffective depending upon whether employment was subsidised through a wage subsidy or hiring subsidy.¹⁷ Hiring subsidies were found to be cost-effective when implemented as a temporary measure and suitably targeted at, for example, those with lowest employment probabilities. Wage subsidies¹⁸, conversely, were found to be cost-ineffective, due in part to the large associated displacement effects and subsequent deadweight.

Delivering support for displaced workers

This section draws on a broader range of evaluations including more qualitative studies to identify key considerations for the design and implementation of interventions designed to support displaced workers. Key considerations include tailoring, targeting and model of delivery. Overall, studies highlight that the design of interventions needs to reflect specific circumstance and local economic context.

Responding to local demand

Interventions are likely to be more effective when tailored to local skills demand.

Consideration of local labour market conditions is crucial to the design and implementation of an effective intervention such that each component has an express purpose and deadweight loss is minimised. A study evaluating the effectiveness of generic and job-specific training in order to draw out critical success factors, for example, finds that effective training programmes deliver skills which employers demand.¹⁹ The geographical mobility of participants will determine the range of employers and vacancies they can access – and what is defined as ‘local’ – and therefore interventions must be designed accordingly.

Engaging employers can support the development of relevant interventions and timely responses. We find that employer-aligned interventions can be achieved through engaging employers in the co-design of interventions²⁰ and that interventions can be designed with greater relevance and implemented with greater speed and efficiency if agents responsible for intervention design are notified sufficiently in advance of imminent/potential redundancies.²¹

¹⁶ Gerfin et al, 2005; Bernhard et al, 2008; Calmfors et al, 2001

¹⁷ Brown, A and Koettl, J. (2015). Active labor market programs - employment gain or fiscal drain?. IZA Journal of Labour Economics

¹⁸ Wage subsidies are defined as those targeted at specific groups of workers irrespective of whether they are new hires or not.

¹⁹ Shuttleworth, Ian & Tyler, Peter & McKinstry, Darren. (2005). Redundancy, readjustment, and employability: What can we learn from the 2000 Harland and Wolff redundancy?. Environment and Planning A. 37. 1651-1668

²⁰ What Works 2016; Davies et al. 2017

²¹ Armstrong M (2008) Strategic Human Resource Management, A Guide to Action, London: Kogan Page

Consideration of economic and labour market trends can help design interventions which produce more sustained, long-term impacts. We find that for an intervention to deliver sustainable, long-term benefits for the participant, it may need to take account of economic and labour market forecasts. One study highlights how displaced workers who had received specialised job-specific training were eventually inclined to take-up low-paid, low skilled, short-term precarious work due in part to a decline in demand for their specialised skills which were not easily transferable to the wider labour market.²²

Flexible provision can help to improve take-up of support and reduce the opportunity cost of participation. In addition to taking account of labour market conditions current and future, evidence highlights the importance of taking account of the needs and capacities of intervention participants via adoption of flexible delivery which accommodates participants with challenges and obligations such as childcare, housing issues and health conditions, as well as work, which may also contribute to the reduction of the opportunity cost of participation.²³

Targeting interventions

Particular interventions are not inherently more effective for specific genders or age groups. Targets would need to be identified on a case-by-case basis, with a focus on intelligence gathering. Evaluations of individual interventions often find a more pronounced effect for one social group than another, most frequently along the dimension gender or age. Yet the findings of one evaluation, for example one which may have evaluated a training programme to find it more effective for men than women, is frequently countered by the findings of another, which might find training to be more effective for women than men. There are no consistent or convincing indications that particular interventions are inherently more effective for specific genders or age groups, rather it is more likely that the effectiveness of an intervention on a certain social group is a function of wider socioeconomic and cultural conditions which are time and location-specific. Creating an effective targeting strategy will thus require sufficient investment in intelligence-gathering, the importance of which is echoed in previous sections.

Interventions may be more effective when targeted at more motivated individuals, the selection of which can be controlled via pricing. One study indicates that interventions do tend to be more effective for individuals with certain behavioural traits, such as high motivation. This may be controlled via tools such as the cost of participation which, when increased, can attract more motivated individuals and increase the incentive for participants to search for jobs and ensure their skills are well-aligned with local skills demand.²⁴ Alternatives should be explored in order to ensure that poorer but nevertheless capable and motivated workers are not priced out.

Interventions may be more effective when targeted at those with fewer marketable skills. We find limited evidence that interventions may be more effective when targeted at

²² Lloyd-Williams, Huw. (2013). Dobbins T, Plows A, Lloyd-Williams H, "Make do and mend' after redundancy at Anglesey Aluminium: critiquing human capital approaches to unemployment", Work Employment and Society, Published online December 6 2013.. Work Employment & Society.

²³ GSR (2016) Final Evaluation of the ReAct programme 2008-2014

²⁴ Jacobson et al. (2005) Is retraining displaced workers a good investment? Federal Bank Reserve of Chicago

those who do not already possess the skills, knowledge, experience or qualities which an intervention aims to deliver. Potential recipients would thus need to be screened to determine whether or not they would be suitable for an intervention.²⁵ Again, this highlights the value of intelligence-gathering prior to the implementation of an intervention. This finding is particularly relevant for the design and implementation of training and employment support services, but also more broadly.

Coordination and partnership

Interventions should be designed and implemented in response to intelligence, and with consideration of resources. The method, mode and speed of support delivery is crucial in the provision of successful interventions and should be constructed in response to an assessment of local labour market conditions as well as the intended targets of support. This should allow the identification of what support elements are required and for whom, as well as when, where and how they should be delivered. Authorities should exercise caution, however, to ensure that resource demands of an intervention do not outstrip the supply of resources.

Interventions may be more effective when drawing assistance from specialised local partners in order to deliver a combination of support elements which produce sustained, long-term impacts. Where relevant, interventions should combine support elements – potentially provided by a range of specialist partner organisations with a comparative advantage in the delivery of certain support services – in order to ensure the provision of interventions which produce long-term, sustainable benefits. Providers of specific and vital elements of support of an intervention should be located within a relatively tight geographical radius to ensure ease-of-access for participants engaging with various support elements.²⁶

How effective are interventions that seek to maximise the local economic impacts of jobs gained within an area?

Local labour markets can also be significantly impacted by new infrastructure developments or business relocations that result in significant job gains. Local partners will often have a role to play in helping organisations recruit locally and ensure residents have the skills necessary to access new job opportunities.

The evidence on what works to improve local employment and earning outcomes as a result of these ‘positive economic shocks’ is more limited and the majority of initiatives have not been robustly evaluated. This section presents the available evidence and identifies key considerations for the design and implementation of interventions.

Well-resourced, effective partnership working with clear agreed goals can deliver successful outcomes. Delivery of a successful Olympics Games in 2012 required highly ambitious planning and preparation, starting with a major East London regeneration programme providing homes, infrastructure and sporting venues in addition to jobs, training

²⁵ Jacobson et al. (2005) Is retraining displaced workers a good investment? Federal Bank Reserve of Chicago

²⁶ Bailey et al. 2014; GSR 2016

and opportunities for UK businesses. An evaluation of the legacy²⁷ highlighted the following key initiatives, designed to promote sustainable jobs and businesses: the creation of CompeteFor, an electronic brokerage service that enabled companies to access London 2012 opportunities; and employability and skills development with a focus on the local workforce (including the workless). The evaluation found number of positive employment gains, including 55% of the LOCOG Games-time workforce having previously been unemployed, 30% of permanent jobs created by Westfield Stratford City being filled by unemployed Newham residents and an estimated 62,000 to 76,000 workless Londoners securing temporary or permanent employment as a result of the Games.

Summarising the delivery of the Olympics, evaluators concluded that successful impacts and legacy were facilitated by:

- Early stage planning with a clear legacy vision at the outset;
- A clear remit and accountability structures for the organisations and partnerships responsible for delivering outcomes;
- The engagement and participation of key stakeholders from the outset – including organisations from across the public, private and third sectors as well as across national, regional and local structures;
- The provision of adequate funding to support the objectives, as well as investing in high quality project management and delivery processes.

Training providers working in tandem with employers is key to ensuring local areas meet the skills needs of relocating businesses. Existing training provision is designed to meet current skills needs and can be adapted to meet the requirement of new business entrants and new skills needs. Sector Based Work Academies are one model of training provision which is highly responsive to the needs of specific employers, in particular the employer-based model – where an employer works with a college to prepare a stream of job applicants.²⁸ SWBAs aim to help employers to meet their recruitment needs and help people prepare for specific job vacancies. Provision includes sector-specific pre-employment training (PET) up to 30 hours a week; a work experience placement (WEP) with an employer; and a guaranteed job interview (GJI) linked to a genuine vacancy. An impact evaluation by the DWP (2016) identified 20,000 participants between 2011-2013 and participants who undertook all three elements of the SBWA on average spent 66 days more in employment and 38 days less on benefit after starting than non-participants (over 18 months). Cost-benefit analysis suggests that each SBWA placement has a net benefit to the Exchequer of £100, and £1,950 to each participant.

A collaborative approach is evident with strong working relationships between Hitachi and the training sector. Local training providers, such as South West Durham Training (SWDT), worked closely with Hitachi Rail from the outset of its location in County Durham to train staff

²⁷ Grant Thornton et al (2013) Meta-Evaluation of the Impacts and Legacy of the London 2012 Olympic Games and Paralympic Games Summary of Reports 1 and 2: 'Scope, research questions and strategy' and 'Methods'

And Report 5: Post-Games Evaluation: Meta-Evaluation of the Impacts and Legacy of the London 2012 Olympic Games and Paralympic Games

²⁸ The alternative model is the skills provider (colleges etc) based approach – where providers prepare candidates for a range of vacancies across a sector

to the sufficient skill level required. In preparation for the factory opening in 2015, Hitachi Rail installed a £1m prototype train at SWDT to help train up staff. SWDT guided Hitachi to utilise their apprenticeship levy pot to recruit and develop young people - in response to quality engineering skills gaps Hitachi is training apprentices in engineering with modules in purchasing, procurement, quality assurance and business improvement techniques, these apprenticeships are bespoke to Hitachi. As of 2019, Hitachi have taken on 1,200 highly skilled workers, 57 of which have been new apprenticeship roles.

Hitachi also helped found South Durham University Technical College (UTC) which delivers courses in manufacturing, technology, and engineering for students aged 14 to 19, some of these students will eventually work for Hitachi. Hitachi also works with Durham Education Business Partnership to offer career education in schools through visits. The plant has also held two women-only open days to encourage female applicants and has worked with UTC to encourage more girls study STEM. In summary, although not formally evaluated, the Hitachi experience highlights the importance of:

- Early preparations to ensure businesses can hit the ground running
- Close collaboration between local government, agencies, training providers, local communities/schools and employer
- Existing training, ICT and transport infrastructure which needs to be in place to attract inward investment
- Flexibility in schemes such as the Apprenticeship levy, conducive to highly bespoke provision

Job brokerage services can support the interests of incoming businesses and jobseekers. Effective job brokerage takes a dual customer approach, focusing on the needs of both employers and jobseekers. In relation to employers, ensuring that the brokerage services on offer meet their specific staffing needs is critical. Employer facing activities may include human resource planning, skills audits, analysis of job roles and person specifications, matching clients to jobs, sifting applicants, application and interview assistance, and post placement support. An example of effective employer engagement is Chicago's Sectoral Workforce Centres (Schrock, 2013) which were established with employers as their primary customer, providing a range of services such as recruitment assistance, training resources, and labour market intelligence (LMI). Research has found that good job broker will be firmly embedded in their local community, able to coordinate provision with other local services and engage with wider local and regional partnerships (including employer bodies, LEPs and Growth Hubs).²⁹

Learning suggests that successfully building partnerships and working with employers requires that brokers prepare candidates appropriately for job opportunities and provide an aftercare service for both the recruit and employer to ensure job outcomes are sustained and that the broker is fully meeting the needs of employers. Post-placement support can help to prevent client drop-out. Support for new recruits might include on-going training support to

²⁹ Smeaton, D., Mansour, J. (forthcoming) Understanding the role and effectiveness of brokerage and reemployment interventions in supporting in-work adults into new employment. Department for Education

ensure that the employee continues to develop their skills to meet the employer's needs. Examples of initiatives with a strong post placement offer include, in Arizona, Pima Community College Pathways to Healthcare Programme³⁰, which worked to encourage employers to hire program graduates by funding subsequent on-the-job training to help them acclimatise to the specific workplace.

³⁰ Gardiner, K., Rolston, H., D., Fein, D. and S. Cho (2017). Pima Community College Pathways to Healthcare Program: Implementation and Early Impact Report, OPRE Report No. 2017-10, Washington, DC: Office of Planning, Research and Evaluation, Administration for Children and Families, U.S. Department of Health and Human Services.

The evidence

Outplacement Services

Arellano, AF (2007) The Effect of Outplacement on Unemployment Duration in Spain, Fundacion de Estudios de Economica Aplicada and Arellano, AF (2009). The effect of outplacement services on earning prospects of unemployed, Instituto Valenciano de Investigaciones Económicas, pp30.

- Outplacement services (OS) (including consultation, action plan, job-search assistance and interview advice) delivered by Creade in Spain between 1998 and 2003
- Non-parametric matching methods to assess the impacts
- Impacts - OS increased unemployment spells (by up to 3 months). However, the scheme did secure higher wages (by up to 26% for women and 42% for men)
- No data on cost-effectiveness
- Stronger earnings effects were evident for men than women
- Considerations for implementation - Recognise potential trade-offs. Increased unemployment duration was offset by higher eventual wages. Aiming for rapid re-employment may therefore be at the expense of better job matches, more sustainable jobs and higher wages

Ohlsson, H. and Storrie, D. (2007): Long term effects of public policy for displaced workers in Sweden - shipyard workers in the West and miners in the North, Working Paper, No. 2007:19, Uppsala University, Department of Economics, Uppsala.

- Outplacement services in response to the closure of the Uddevalla Shipyard and the LKAB mines in Sweden which led to large-scale redundancies. Provision: in Uddevalla active labour market policy measures (exclusively directed to the yard employees) plus the construction of a motorway and tax rebates in order to persuade Volvo to locate an automobile assembly plant on the old yard site; in LKAB job-search services, labour market training and award grants for business start-ups.
- Quasi experimental, recipients of 'extraordinary measures' vs a comparison group.
- Impacts - No evidence of 'extraordinary measures' having any significant short run effect on earnings or rates of employment/ unemployment. But over the longer term (6–8 years) employment and earnings were significantly higher among support recipients
- No indication of cost-effectiveness
- Considerations for implementation - Evaluations should take a longer-term perspective, especially given that measures such as attracting inward investment to replace closed firms cannot be realised over the short term.

BMG (2016), Final Evaluation of the ReAct programme 2008-2016, Welsh Government

- The aim of ReAct is to prevent long-term unemployment by providing pathways to employment for those recently or about to be made redundant. Provision: a training grant (up to £2,500 initially, reduced later to £1,500) paid to redundant workers; Employer Recruitment Support (up to £3,000); Employer Training Support (ETS) – a grant to employers (of up to £1,000) to fund up to 70% and later reduced to 50% of the cost of training redundant workers.

- Evaluation type – based on an employer survey, a participant survey and analysis of Management information.
- Impact of ReAct on employment rate in Wales was measured against two comparators: North East England (similar socio-economics) and English counties bordering Wales. No statistically significant effect was found in either case – a finding which may indicate that ReAct II's impact on employment rates is, at best, marginal or that the size of the ReAct II intervention was insufficient to show a labour market effect at the national/regional levels at which analysis was possible.
- Deadweight calculations not robust (based on interviews). No CBA details provided

Van den Berge, W. (2014) Displaced workers and the effects of outplacement and severance pay. CPB Netherlands Bureau for Economic Policy Analysis

- Outplacement service in the Netherlands. Provision included: psychological support, career planning and short-term training (1-2 days in the use of computer software or job application support). It is noted that outplacement is rare in some countries (e.g. France and Spain) but common in Netherlands and Belgium and quite common in the UK and Germany
- Quasi-experimental study, compared outcomes of those who were offered severance pay and outplacement with a control group who did not receive offers. Data gathered from social plans that contain the services firms offer their displaced workers. These data connected to the firms involved in these plans plus registration data from Statistics Netherlands (CBS) to gather information regarding the displaced workers involved in these plans
- Impacts - Severance pay and outplacement were not found, on average, to be associated with a higher average probability of moving from job to job, unemployment duration or wages.
- No data on cost-effectiveness
- Effective for older workers (age 55+) in reducing unemployment durations and for the wages of younger workers (<35) (with a 17% higher average wage in the new job).
- Considerations for implementation - These findings emphasise the value of taking a targeted approach in order to optimise cost effectiveness

Re-training

Cavaco, S., Fougère, D. and Pouget, J (2013). Estimating the effect of a retraining program on the re-employment rate of displaced workers, Empirical Economics, Vol. 44 (1), pp 261-287

- 'Convention de Conversion' retraining programme, set up in France during the 1980s to improve the labour market prospects of displaced workers
- Support included a range of interventions over a 6-month period post-redundancy, including retraining and job-seeking assistance, and was provided to redundant workers immediately upon displacement
- Study used propensity score matching to model the effects of the scheme on the reemployment rate of participants between 1995 and 1998
- results suggest that the proportion of time spent in employment is approximately six percentage points higher in the medium-term (2-3 years on from programme entry)

Winter-Ebmer (2001), “Evaluating an Innovative Redundancy-Retraining Project: The Austrian Steel Foundation”, March IZA DP No. 277

- Programme and mechanism - The Austrian Steel Foundation. The Foundation combined job-search assistance, counselling, retraining and occupational re-orientation. Foundation trainees must commit to full-time training, and attendance at training is compulsory. Trainees cannot unilaterally determine their training if the Foundation considers it unlikely to help them in the labour market. Workers joining the Foundation undergo an initial six week occupational orientation to clarify their future course of action: either direct outplacement and job search; formal education / training; or starting a new business.
- Evaluation type – Impact assessment using econometric approach. Two IV approaches used to adjust for potential selection bias. Selection bias is a potential issue because only 12% of those eligible to join the Foundation do so.
- Impacts - Trainees work 45 days longer per year than the control group. Estimated earnings growth (over earnings prior to redundancy) were 5% points from the initial Tobit approach and 6-7% points from the 2 IV approaches.
- Who it works for – Age - younger workers gained the least and workers older than 27 had the largest employment gain. In terms of earnings growth - effects were higher for workers aged below 37. Gender - Impact of the programme on earnings growth is less significant for women than men. Health - workers with health problems are less likely to join the programme. Qualifications - workers with higher qualifications are more likely to join the programme
- Cost effectiveness – Total cost = \$66.9m. Total benefits depending on assumption are between \$75m and \$93m – greater than costs. BCR range = 1.12 to 1.39.

IFF Research (2016, 2018) “PACE – Client Experience Survey 2016”, commissioned by the Scottish Government and Skills Development Scotland.

- Programme and mechanism - PACE provides support to those about to be made / recently made redundant in Scotland. Key elements of support: practical advice on getting a new job; identification of learning and training opportunities; business start-up advice and support.
- Evaluation type – Survey of recent participants and a longitudinal survey of those accessing support in 2014. Follows on from similar surveys in 2010 and 2012. No counterfactual.
- Impacts - Those who had found work post-redundancy were more likely to have accessed help with interviews and job search strategies than those who had not secured work (41% v 33%). Those in work were also more likely to have had a career guidance interview; (42%) compared with a third (33%) of those who did not enter work. Information about training and funding sources – 54% of clients who found work post-redundancy used this service, as against 45% of those who did not find work. The services considered most relevant tended to be those most directly related to job search, including: help with interviews / job search strategies (83%); help with CVs, applications and letters (83%); and the PACE presentation and information guide (81%). Advice about starting a business was seen as least relevant.
- Who it works for – Not discussed

- Cost effectiveness – Not addressed

Skills Conditionality Pilot Evaluation: Final report GSI Wales (2016) L&W and Wavehill Research

- Programme and mechanism - Skills Conditionality is a referral mechanism by which individuals claiming unemployment benefits can be mandated onto essential skills training.
- Evaluation type – This evaluation used a mix of qualitative and quantitative methods
- Impacts - The follow up learner survey showed that 79 per cent felt it had helped to improve their skills whilst 57 per cent felt the training had improved their chances of getting a job. Thirty-nine per cent of respondents who started the training said they were now more likely to enrol in another course in the future suggesting that their attendance on the training had a positive effect on their attitude to learning. On participant outcomes, almost half (47 per cent) were unemployed after participating in the Pilot whilst just under a quarter (24 per cent) were in employment. Attendance on essential skills training appeared to have helped secure job interviews, with just under a third of those who had secured an interview estimating that this would have been unlikely if they had not attended the training.
- Who it works for – Not discussed
- Cost effectiveness – The costs of the Pilot in net present value terms (using a discount rate of 3.5 per cent per annum in line with Treasury Green Book guidance) were estimated to be £2.4 million (in constant 2014/15 prices) of which £2.2 million were payments to training providers

Active Labour Market Programmes

Blasco, S. and Rosholm, M. (2011). The Impact of Active Labour Market Policy on Post-Unemployment Outcomes: Evidence from a Social Experiment in Denmark. IZA Discussion Paper. 5631

- Programme and mechanism - A social experiment, conducted in Denmark in 2005-6, to investigate the effects of an intensification of ALMPs on reemployment stability. Seek to determine whether post-unemployment impacts stem from shorter unemployment spells (the indirect effect) or from an improvement of search technology (direct effect). Treatment: 5-6 weeks after joining the programme assigned to a 2-week job search assistance programme; 7-18 weeks of unemployment, met frequently with case worker to aid their search and applications; after 18th week, those yet to find employment, had to participate in an unspecified programme for minimum 13 weeks. 4 types of programme:
 - Private sector temporary employment subsidy job – 6 months
 - Temporary employment within the public sector – 6-12 months
 - Classroom training programmes – typically shorter than 13 weeks
 - Vocational training programmes – Few months
- Evaluation type – RCT
- Impacts - substantial reduction in unemployment duration. Decomposition of this effect finds 20-25% of this effect is due to lagged duration dependence i.e. participation reduces unemployment duration, and this short employment duration leads to longer

employment duration. The rest of the effect is a 'true' or 'direct' treatment effect of the intervention.

- Who it works for – For men, participation lengthens duration in subsequent employment by almost 10% - but no effect for women.
- Cost effectiveness – Not available

Graversen, B. and Van Ours, J. (2006). How to Help Unemployed Find Jobs Quickly: Experimental Evidence from a Mandatory Activation Program. *IZA Discussion Paper*. 2504

- Programme and mechanism – A social experiment in Denmark. Those in the treatment programme were offered a variety of mandatory activation programmes grouped into two categories: 'job search programmes' which included activities such as courses giving an overview of available courses, support, knowledge of the labour market and looking for work. These individuals also received support and training in job search techniques. The second category of support was 'training programmes': this consisted of three types of programmes: short work experience, employment subsidy and training and education.
- Evaluation type – RCT
- Impacts - The median unemployment duration of the control group is 14 weeks compared with 11.5 weeks for the treatment group. The analysis shows that the job finding rate in the treatment group is 30% higher than in the control group. This result is mainly driven by the more intensive contacts between the unemployed and the public employment service. Treatment effect for training programmes - did not bring unemployed back to work more quickly but the long-term impact of training programmes are not clear.
- Who it works for – Not discussed
- Cost effectiveness – Not discussed

Dauth, W., Hujer, R. & Wolf, K. (2010). Macroeconometric Evaluation of Active Labour Market Policies in Austria. *IZA Discussion Paper*. 5217

- Programme and mechanism – Austrian ALMP can be divided into 3 groups:
 - Prevention and reduction of unemployment by creating and securing jobs.
 - Improvement of the matching process by eliminating placement barriers and increasing the chances of re-integration
 - Integration into regular employment
- Evaluation type – Use unique new data set on all Austrian job-seekers between 2001 to 2007 and apply GMM and Quasi-ML estimators to take into account both the simultaneity of ALMP and spatial interrelations between employment office districts. Evaluation focusses on microeconomic impact of ALMP i.e. effect for individuals and macroeconomic impact of ALMP i.e. effect on wider economy.
- Impacts –
 - Vocational training and allowance for course cost: No impacts
 - Wage subsidies: Most successful measures of the programmes considered. Regions with large shares of (former) participants have a higher number of

matches and a lower job-seeker rate. Higher effect indicates subsidised participant do not substitute other job-seekers. No information on deadweight.

- Active job search and orientation: Number of current participants in active job search reduces the number of matches
 - Job training: No effect on matching process of current participants. Small negative effect on former participants.
 - Apprenticeship: Participants benefit from programme – increase in job matches.
- Who it works for – No discussion
 - Cost effectiveness – No discussion

Hiring Subsidies

Betcherman G, Olivas, K and Dar A (2004) Impacts of Active Labour Market programs: new evidence from evaluations with particular attention to developing and transition countries. World Bank Social Protection Discussion Paper 0402:1-94

- A literature review of 159 studies quasi experimental studies examining ALMP impacts, 23 with a focus on hiring subsidies
- Findings: A wide range of results can be found with some programs demonstrating positive labour market effects for participants and others showing either no impact or even negative effects. Program design and the context in which the program operates matters, but it is increasingly difficult to isolate impacts of particular types of programs because of a trend to integrated service provision. General conclusions in relation to wage subsidies and self-employment support:
 - Wage/employment subsidies most often do not have a positive impact and have substantial deadweight and substitution costs. Targeting and monitoring may help but at the cost of reducing take-up rates. More recent studies which focus on industrialised countries do suggest more favourable outcomes
 - Self-employment support has low take-up but there is evidence of positive impacts especially for older and better-educated workers.
- Considerations for implementation – the authors note that evaluations rarely track post-program outcomes beyond a couple of years so little evidence exists on longer-term impacts. Many studies do not estimate the deadweight, substitution, and displacement effects and thus cannot account for the general equilibrium impacts of programs. Many do not fully consider program costs. The evaluation literature provides insights into what works but far less on why. Need more data therefore on what circumstances and design features explain effective outcomes for specific groups.

Bernhard S, Gartner H and Stephan G (2008) Wage subsidies for needy job seekers and their effect on individual labour market outcomes after German reforms IZA Discussion paper 3772: 1-25

- Programme and mechanism - estimates the average effect of wage subsidies – paid to employers for a limited period of time – on the labour market prospects of job-seekers
- Evaluation type - use statistical matching techniques and estimate programme effects by comparing treated participants with a matched group of similar job-seekers, who did not enter a subsidised job between February and April 2005

- Impacts - wage subsidies had large and significant favourable effects: 20 months after taking up a subsidised job, the share of persons in regular employment is nearly 40 percentage points higher across participants
- Cost-effectiveness – not assessed
- Who it works for - estimated treatment effects are slightly larger (a) for female than for male workers and (b) for East Germany than for West Germany. Among West German men estimated treatment effects were larger (a) for the 35-49 year olds compared with 25-34 years and (b) for those over 30 who were unemployed for more than one year compared with those who were jobless < 1 year

Boockman, B., Zwick, T. and Maier, M. (2012) Do hiring subsidies reduce unemployment among older workers? Evidence from two natural experiments. Journal of European Economic Association 10 (4): 735-764

- Programme and mechanism - German government introduced integration supplement for older workers in 1998, offered hiring subsidies targeted at those 50+. Subsidy is up to 50% of standardised labour costs to be paid over interval of 24 months.
- Evaluation type - a difference-in-difference estimator to examine the transition rate from unemployment to employment of group of workers effected by change (aged 50), with similar but unaffected workers (aged 49) in first 180 days of unemployment. To estimate deadweight effects, compared the number of estimated additional employment relationship to number of estimated additional subsidies disbursed.
- Impacts - estimates from duration analysis of the transition rate, shows the probability of leaving unemployment and entering employment is unaffected by the availability of hiring subsidies. Further analysis demonstrates that the ineffectiveness for most population groups is due to deadweight effects: increase in subsidised hiring was accompanied by decline in unsubsidised new employment. However: for women in East Germany, an increase in exit from unemployment by 6%.
- Who it works for – women in East Germany

Brown, A and Koettl, J. (2015). Active labor market programs - employment gain or fiscal drain?. IZA Journal of Labour Economics.

- A literature review of quasi experimental studies.
- Literature suggests that private sector hiring subsidies can be more effective than public education / training. Hiring subsidies outperform other ALMPS in terms of post-programme employability.
- Targeting can limit cost-ineffective deadweight costs. Long-term unemployed workers have low probabilities of becoming employed, therefore deadweight costs can be expected to be much lower – Benhard et al. (2008) estimates deadweight around 20-30%. Swedish study estimates risk of displacement effects to be around 65-70%, Ireland and UK around 20%, Belgium around 36% and Netherlands 50%.
- Who it works for – disadvantaged long-term unemployed / inactive workers.
- Implementation considerations - Should be targeted on the most disadvantaged workers although too tight targeting can result in stigmatization, as firms register it as a signal of low productivity.

Brown AJG, Merkl, C. and Snower, DJ (2011) Comparing the effectiveness of employment subsidies. Labour Economics 18(2):168-179

- The study set out to identify Pareto welfare improving policies (which make some people better off without making others worse off, by improving employment, not increasing earnings inequality and are self-financing) i.e. policies which are "approximately Pareto welfare efficient" (AWE). RQs: (i) How should employment policies be targeted (low incomes/low abilities vs the unemployed)? (ii) What should the magnitude of the policy intervention be (size of subsidy before it ceases to be approximately welfare efficient (AWE) i.e. exhibits "diminishing returns" leading to it becoming non-self-financing?
- Findings: low wage subsidies (targeted at low-income/ability workers) are not AWE, i.e. no positive low-wage subsidies are self-financing. By contrast, hiring vouchers can be AWE. The calibrated models lead to a clear ranking of hiring vouchers: hiring subsidies for the long-term unemployed are more effective than hiring vouchers for low-income/ability workers.

Burtless, G. (1985) Are targeted wage subsidies harmful? Evidence from a wage voucher experiment. *Industrial Labour Relations Review* 39: 105-114

- A controlled experiment designed to test the effectiveness of a targeted wage subsidy program. In Dayton Ohio jobseekers were given vouchers identifying them to employers as eligible for a generous wage subsidy. These individuals were significantly less likely to find employment than job seekers without vouchers. The author speculates that the vouchers had a stigmatizing effect.

Calmfors, L., Forslund, A and Hemstrom, M. (2001) Does active labour market policy work? Lessons from Swedish Experiences. *Swedish Economic Policy Review* 8 (2): 61-131

- This paper discusses the mechanisms through which ALMPs affect (un)employment and surveys the empirical studies of the effects of ALMPs in Sweden.
- The main conclusions are: (i) there is hardly any evidence for a positive effect on matching efficiency; (ii) there are some indications of positive effects on labour force participation; (iii) subsidised employment seems to cause displacement of regular employment, whereas this appears not to be the case for labour market training; (iv) not clear whether ALMPs raise aggregate wage pressure in the economy; (v) training programmes seem not to have enhanced the employment probabilities of participants, whereas some forms of subsidised employment have enhanced employment; and (vi) youth programmes seem to have caused substantial displacement effects at the same time as the gains for participants appear uncertain. The overall policy conclusion is that ALMPs of the scale used in Sweden in the 1990s are not an efficient means of employment policy. To be effective, ALMPs should be used on a smaller scale. There should be a greater emphasis on holding down long-term unemployment in general and a smaller emphasis on youth programmes
- Review 10 studies which examine the treatment effects of subsidised employment (including recruitment subsidies and self-employment grants) 8 of which point to significant positive employment outcomes compared with control groups. Self-employment grants and recruitment subsidies have positive effects on subsequent regular employment, while work experience schemes do not. The authors note that the "best" employment programmes work better than labour market training.

Gerfin, M., Lechner, M. and Steiger H (2005) Does subsidised temporary employment get the unemployed back to work? An econometric analysis of two different schemes. *Labour Economics* 12 (6): 807-835

- Using individual data from administrative records (and econometric matching methods) the study investigates the effects of two different schemes in Switzerland: non-profit employment programmes (EP) and a subsidy for temporary jobs (TEMP) in private and public firms.
- Findings: TEMP is more successful than EP in getting the unemployed back to work. Compared to not participating in any programme, EP and TEMP are ineffective for unemployed who find jobs easily anyway or have a short unemployment spell. For potential and actual long-term unemployed, both programmes may have positive effects, but the effect of TEMP is larger.
- Considerations for implementation – these findings suggest that recruitment subsidies may not be an effective policy approach in rapid response contexts where OS is designed to support large scale sudden redundancies and thereby avoid the emergence of long-term unemployment.

Sianesi, B (2008) Differential effects of active labour market programs for the unemployed. *Labour Economics* 15(3): 370-399

- This paper examines the differential performance of six Swedish active labour market programs for the unemployed in relation to short- and long-term employment probability and unemployment-benefit dependency. Use longitudinal data to construct event histories.
- Findings: Employment subsidies perform best by far, followed by trainee replacement and, by a long stretch, labour market training. Participants with job subsidies were around 25 percentage points more likely to be in employment over 5 years than if they had joined training, work practice or relief work, and 16 percentage points more than if they had joined a replacement scheme.
- Importantly, the magnitude and even the sign of the various treatment effects were found to change over time, which underscores the importance of being able to look at outcomes in both the short and longer term.

Deidda, M., et al. (2015). Employment subsidies, informal economy and women's transition into work in a depressed area: evidence from a matching approach. *IZA Journal of Labor Policy*. 4:7

- Programme and mechanism - Active labour market programme (ALMP) for disadvantaged workers implemented in a depressed area of Italy. Programme aimed at reducing unemployment and increasing employment probabilities for different groups of disadvantaged workers. Mixture of policies including employment subsidy, counselling, tutoring and matching/brokerage services. Subsidy saw firms receive 460 euros per month for a maximum of 12 months. Subsidy was conditional on hiring workers on a FT contract for at least 18 months. At the end of the additional 6 months period, firms received an additional lump sum of 2000 euros if they hired worker on a permanent contract.
- Evaluation type – propensity score matching methods to investigate the effect of ALMP on a sample of 859 individuals, by matching administrative data with a comprehensive

survey that provides post-programme information on employment status and income outcomes

- Impacts – employment: a 42% higher probability of employment for participants than non-participants; earnings: a 403 euro increase in the average monthly earnings for participants compared to non-participants with identical observable characteristics
- Who it works for – Increased probability of female participants acquiring a job by 43%, generally stronger than for men. Focus on female sub-sample suggests that more disadvantaged categories show larger policy effects i.e. low-educated and older workers.
- Cost effectiveness – Not available

Self-employment support

Caliendo, M. and Kunn, S. (2010) Start-up subsidies for the unemployed: long term evidence and effect heterogeneity. IZA Discussion Paper 4790: 1-34

- Programme – business start-up subsidies for the unemployed in Germany
- Evaluation type – Propensity score matching (administrative and survey data to follow individuals for up to 5 years), control group other unemployed. Also seeks to consider effect heterogeneity to determine for which groups the programme works best.
- Impacts - strong employment and earnings outcomes were found 3-4 years after start-up. Two distinct programmes: Bridging Allowance (BA) – the provision of relatively high financial support (dependent on previous earnings) to unemployed workers for 6 months; and Start-up subsidy (SUS) – lower monthly lump-sum payments for up to three years. Findings indicate that 56 months after start-up, compared with the control group: SUS participants employment probability was 22.1 percentage points higher while BA participants employment probability was 14.5 percentage points higher. In relation to earnings, participants earned significantly more than non-participants - by the end of the observation period: SUS participants earned on average 435 euros more per month while BA participants earned on average 618 euros more per month
- Cost-effectiveness – no data
- Who it works for - both programmes are especially effective for low educated and low qualified individuals. Results are mixed with regards to age and nationality.

Kuddo, A. (2009) Employment services and active labour market programs in Eastern Europe and Central Asian Countries. World Bank Social Protection Discussion Paper 0918: 1-86

- Examine ALMPs in Eastern Europe, including entrepreneurship assistance
- Benefits of self-employment support:
 - Effective in promoting sustainable employment among those who take up the opportunity
 - Public programs to support small business loans can contribute to the removal of distortions arising from credit rationing.
- Limitations of self-employment support:
 - Scope - successfully used by only a small portion of the unemployed (2-3 percent)

- Cost - self-employment programs for young entrepreneurs reported significant gains in employment probability for participants, with particularly higher effects on young female participants; however, costs per placement exceed those of training and subsidized employment programs

Martin JP and Grubb D (2001) What works and for whom: A review of OECD countries' experiences with active labour market policies. Swedish Ec. Policy Review 8(2): 9-60

- This paper reviews evaluations of active labour market programmes, key findings:
 - Counselling and job-search are particularly cost-effective measures if combined with increased monitoring of job seekers and enforcement of work tests;
 - Significant impacts are often estimated for self-employment programmes but take-up is low
 - Hiring subsidies suffer increasingly from dead-weight and substitution effects. Evaluations of subsidies in Australia, Belgium, Ireland and the Netherlands have suggested combined dead-weight and substitution effects amounting to around 90 per cent, implying that for every 100 jobs subsidised by these schemes only ten were net gains in employment.
- Implementation consideration - evaluation evidence suggests it may be possible to raise the size of net employment gains to 20-30 per cent or more via tight targeting of the measures to particular groups among the unemployed and close monitoring of employer behaviour in order to curb abuses (although more controls to curb abuse and maximise net employment gains, can reduce firm participation rates). Conclude that "subsidies to private-sector employment can yield significant net employment gains and help to maintain workers' attachment to the labour force. However, employment subsidies should be of short duration, targeted and closely monitored".
- Recruitment subsidies primarily help long-term unemployed and women re-entrants.
- Business start-up support primarily helps men, below age 40 who are relatively better educated.

Rodriguez-Planas, N. and Benus J (2008) Evaluating active labour market programs in Romania. Empirical Economics 38(1): 65-84

- Programme and mechanism - The paper evaluates the effects of participation in 4 ALMPs in Romania in the late 1990s compared to non-participation: Training and retraining (TR) (vocational, general education and literacy training); self-employment assistance (SE) (screening, advice, training, loans); employment and relocation services (ER) (counselling, labour market information, job search assistance, job placement services, and relocation assistance); and Public Employment (PE) (environmental clean-up, refurbishment of public infrastructure, and provision of assistance and support to social agencies, such as schools, or retirement homes)
- Evaluation type – Use rich follow up survey data and propensity score matching. Also consider program costs and indicate whether programs were cost-effective
- Impacts - 3 programs TR, SE and ER successfully improved outcomes and were cost-beneficial. In contrast, public employment was detrimental to employment prospects.
 - ER increased employment and earnings; SE improved employment prospects, but did not have a significant impact on earnings; TR increased earnings and reduced the likelihood of receiving unemployment benefits.

- Who it works for – SE is more successful for females, for low qualified workers without a high-school diploma, and for workers living in rural areas.
- Cost effectiveness - Estimate the average cost per client served by dividing the total amount spent in each ALMP by the number of clients served. The cost per client served is 541.07 thousand lei for TR, 179.15 thousand lei for SE, and 123.74 thousand lei for ER. To estimate the benefits of the policy, use the estimated impact of these ALMPs on the usual average monthly earnings of their participants - 5,393.04 thousand lei pa for TR, 4,783.20 thousand lei pa for SE and 1,047.84 thousand lei pa for ER. Conclude – these figures comfortably cover the cost per client served, therefore the three policies are cost-effective.

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