

**This article is based on the Campbell Review:**

Geir Smedslund, et al.: *Work programmes for welfare recipients*. The Campbell Collaboration 2006

*This article was written by the key author of the Campbell Review, Geir Smedslund, for the Nordisk Campbell Center. Published December 2006*

## **An active labour-market policy has a minor positive effect**

*Many countries have moved their strategies away from passive public assistance for the unemployed. Instead, the focus is on getting the unemployed off welfare benefits and into the regular labour market through various approaches, including vocational training, job offers and competency upgrading. A new Campbell review based on comprehensive studies from the USA and Canada shows that active labour-market programmes have a minor positive effect. They result in a slight increase in the likelihood that the unemployed person will find employment, that earnings will increase and that welfare payments will be reduced. They also reduce the likelihood that the unemployed person will remain on long-term welfare.*

### **From passive public assistance to active labour-market programmes**

A change in labour-market policy has taken place in many developed countries away from passive public assistance towards various types of active programmes. It is hoped that this change will get the unemployed off welfare and into the regular labour market. The idea behind the active programmes is that by offering the unemployed jobs and training – on special terms – they can strengthen their qualifications, their attachment to the labour market and their opportunities to participate in the mainstream labour market.

This Campbell Review is the most comprehensive study to date that measures the effects of this type of programme. The review gathers and analyses the most sound knowledge in the field and provides an assessment of the effects of active labour-market programmes in relation to a group comprised mainly of uninsured, unemployed, single mothers on welfare. The review is based on studies of 73 assessments of 46 programmes with 412,000 participants.

### **Positive effects on income and employment**

This review shows that there are minor positive effects when it comes to employment and earnings for participants in active labour-market programmes.

<b>Effects of active labour-market programmes</b>		
	<i>Activation group</i>	<i>Control group</i>
<i>Proportion with non-subsidised jobs</i>	61%	58%
<i>Proportion on public assistance</i>	68%	72%
<i>Proportion receiving fewer welfare payments</i>	51%	49%
<i>Proportion receiving more welfare payments</i>	51%	49%

Note: Participants in the 73 assessments have been distributed between the new activation system and the existing system (control group) by lots.

An analysis of the participants' situations two years after participation in the programme shows an increase from 58% to 61% in the likelihood that they will have found work. It also shows a reduction from 72% to 68% in the likelihood that they will have remained on welfare.

The proportion of participants who achieve higher earnings and lower welfare payments is not large. But the participants who find work do experience a change in their income that is so major that participants in the programme can generally expect a 25% increase in earnings and a 14% reduction in welfare payments.

Another way to examine the effects of active labour-market programmes is by asking: "*How many people need to take part in an active programme before one extra person finds employment?*" – and the answer is 33. That is, the decision-makers can weigh the costs of 33 people in activation against the positive effects of one extra person in employment.

### **Broad-spectrum activation policy**

Almost all of the 46 programmes assessed in this review cover more than one type of labour-market programme of the kind that are prevalent in the Nordic labour market policies.

The main focus of about 60% of the programmes is on participants finding non-subsidised employment as quickly as possible (upgrading *via* employment), while the main focus of the remaining programmes is on education and training (upgrading *before* employment). The findings of this review suggest that focusing on employment rather than on education and training has a greater impact.

In almost 80% of the programmes participation is mandatory, while in the remaining programmes participation is voluntary. This assessment suggests that voluntary programmes work better than mandatory.

The review points out that programmes which include job-search assistance generally have a positive effect. However, it is not possible to establish an independent positive effect of the other individual components of the 46 programmes covered in this review:

- Job placement services
- Case work
- Time limits on welfare benefits
- Other financial incentives
- Childcare
- Transportation assistance

### **Participants: Single mothers on public assistance**

The participants in the 46 programmes reviewed are almost entirely single mothers (90%). This is because of the relatively high threshold for access to the American welfare system: Adults are expected to take care of themselves, but as a special support measure for children, the system helps single providers. This is one of the most significant differences compared to the welfare systems in the Nordic countries, where the group on public assistance is far more heterogeneous.

The majority (80%) of the participants are divided equally between blacks and whites, while the remaining 20% come from other ethnic groups. Almost half have an upper-secondary school education or higher.

The analysis in this research review suggests that the effects of active labour-market programmes are generally greater for men than for women. The effects are also slightly greater for ethnic minorities than for the ethnic white majority.

### **Success criteria: Employment and higher income**

The initial objective of this review was to study a wide variety of success criteria. However, ultimately it was only possible to study the following four most common criteria in all the studies:

- Proportion in non-subsidised employment – the more the better
- Proportion on public assistance – the fewer the better
- Welfare payments – the lower the better
- Earnings – the higher the better

The quality of this information is relatively good, because it is mainly based on information from administrative registries.

### **412,000 participants, 73 assessments and 46 programmes**

This review is based on a study of a large number of high-quality systematic reviews of effects. They assess different programmes that each comprise different combinations of active labour-market policy programmes, and that involve a very large number of participants. This means that the findings in this review represent the most sound and reliable knowledge in the area to date.

44 programmes are from the USA and the two others are from Canada. Some US programmes are assessed in several different states, while others are assessed in several different counties within the same state. In general, the effects of the same programme vary measurably according to geographic location. This highlights the significance of local conditions for the magnitude of the effects.

### **Canada, which resembles the Nordic countries, shows better effects than the USA**

There are several crucial differences between the Nordic and the US welfare systems. These differences affect whether the findings from one system can be applied to the other. For instance, the welfare systems in the Nordic countries have a relatively low threshold for participation. And practically all unemployed have the right to receive some type of assistance. In contrast, the assistance programmes in the US welfare system have a relatively high threshold for participation.

Thus, the group of participants in the US programmes is far more homogeneous (unemployed, single mothers without unemployment insurance) than the group of unemployed on public assistance in the Nordic countries.

The Canadian welfare system is somewhere in-between the US and the Nordic systems. It is therefore worth noting that the two Canadian assessments included in the review generally have somewhat better effects than the 44 US programmes.