

Activation in Ireland: An Evaluation of the National Employment Action Plan

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Abbreviations

NEAP	National Employment Action Plan
JB	Jobseeker's Benefit
JA	Jobseeker's Allowance
ALMPs	Active Labour Market Programmes
CE	Community Employment
DSP	Department of Social Protection*
DES	Department of Education and Skills
ECHP	European Community Household Panel
KM	Kaplan-Meier
NN	Nearest Neighbourhood with Replacement
EES	European Employment Strategy
ESO	Employer Services Officer
ISTS	Integrated Short Term Scheme
JSA	Job Search Assistance
LES	Local Employment Services
LMP	Labour Market Programmes
MEI	Main Economic Indicators
NAP	National Action Plan
PES	Public Employment Services
PSM	Propensity Score Matching

* Formally known as the Department of Social and Family Affairs.

Executive Summary

Since early 2008 there has been a severe deterioration in the Irish economy, which has had major knock-on implications for the labour market. Unemployment increased from around 4.5 per cent at the end of 2007 to over 13 per cent in 2010. Given the scale of the problems currently facing the Irish economy, the level of unemployment is likely to remain high over the medium term. In this context it is particularly important to implement effective activation measures to assist and encourage jobseekers to remain active in the labour market and/or to increase their employability in order to avoid long-term unemployment. Prevention of long-term unemployment is important from both economic and social perspectives. The long-term unemployed find it particularly difficult to find work, even when demand for labour increases. This disparity arises partly because they tend to have lower levels of education and poorer labour market experience, and partly because their skills deteriorate and those with shorter spells of unemployment are better able to compete for jobs. In addition, long-term unemployed individuals are more likely to suffer from social exclusion and poor health. From the perspective of the wider economy, long-term unemployment entails substantial financial costs in both welfare payments and lost revenue as well as in lost production.

This study is a systematic evaluation of the impact of activation measures implemented under the Irish National Employment Action Plan (NEAP). Under the NEAP, persons in receipt of Jobseeker's Benefit (JB) or Jobseeker's Allowance (JA) who reach three months duration on the Live Register of unemployment are identified by the Department of Social Protection (DSP) and referred to FÁS, the national training and employment authority, for an activation interview. In this interview, the clients may be provided with job search assistance, and some may be referred to employment or training opportunities. We specifically examine the impact of two key interventions under the NEAP:

1. Referral by the DSP for an activation interview with FÁS;
2. Participation in training programmes provided by FÁS, following an activation interview.

The analysis is based on a unique dataset that was constructed by combining three separate data sources (i) a specially designed questionnaire administered by the DSP to new claimants of Jobseeker's Benefit (JB) or Jobseeker's Allowance (JA); (ii) weekly administrative data from the Live Register of unemployment, which contained information on all unemployment benefit recipients in Ireland and on their movements on and off the register; and (iii) client event files collected by FÁS. The Live Register administrative data were recorded from

September 2006 to July 2008, so the evaluation refers to the effects of the NEAP over that time period.

The main findings of the study are as follows:

Firstly, there were problems of access to programmes under the NEAP, so not all of those who needed to participate in an activation measure did so.

- A substantial group of jobseekers, about 25 per cent, who were eligible for assistance under the NEAP were not in fact identified and referred. It is unlikely that such a substantial omission would prevail had there been sufficient system-integration between the DSP income maintenance and FÁS labour market integration functions. The integration of organisational IT systems has been ongoing under the recent re-organisation of Government departments, and this, along with the introduction of statistical profiling, should help to protect against any future reoccurrence of this nature.
- Under the NEAP, current JB and JA claimants who had a previous unemployment spell and received an intervention at that time, were not identified as eligible for a NEAP intervention in their current spell. This represents an additional substantial group of jobseekers – in excess of 25 per cent of new claimants – that was excluded from NEAP assistance. This practice of excluding those with a previous history of unemployment would appear to run counter to the underlying rationale of activation policies, namely, to assist those most likely to encounter difficulties in the labour market to find work.

Secondly, those individuals who participated in the NEAP referral process were less likely to become employed.

- Comparing the outcomes of those who were either referred for interview or had received both a referral and a FÁS interview under the NEAP with a control group of those who were not referred, it was found that the NEAP had a negative impact, reducing their chances of entering employment by about 17 per cent. This suggests that the interview plus referral element of the NEAP was an ineffective route to employment.
- When we compared current NEAP referral and interview clients with an alternative control group of clients who had participated in a NEAP interview in the past – during a previous unemployment spell – we found that the current NEAP group fared no better than those who had participated in a NEAP interview some years previously.

These findings hold when exits to employment at 12, 15 and 21 month time points are examined. The negative effect of the referral and interview process

may be the result of NEAP clients learning, as a consequence of the process, that they were unlikely to face monitoring or sanctions as a result of failure to search actively for, or obtain, employment, leading to some decline in job search intensity.

The findings suggest the need for an overhaul of existing NEAP eligibility and administration, as well as provision of more intensive job search assistance, and point to the potential benefits of Ireland following best practice in most European countries by developing a fully compulsory activation programme with effective monitoring and sanction mechanisms.

Thirdly, we found that FÁS training programmes did increase participants' employment prospects. Compared to a control group of individuals who were either referred for interview or had received both a referral and an activation interview, FÁS training participants undertaking programmes prior to week 35 of the study were more likely to have exited from the Live Register by week 91. Programme participation was found to lower the probability of subsequent unemployment by between 10 and 14 per cent. However, the cumulative effect of training plus activation interview was either zero, or at best, weakly positive, due to the negative impact of the FÁS referral and interview process.

Given the current economic climate, and the lack of job opportunities within the economy, this research suggests that it would be particularly appropriate at present to focus more heavily on the provision of suitable short-term training programmes¹ for jobseekers. The objective of this would be to enhance their skills in those areas where jobs are likely to emerge in the future. It is likely that more intensive activation measures would have limited impact in the current environment. However, the policy emphasis could be switched gradually from training to more stringent job search assistance and monitoring as the labour market begins to pick up and the unemployment rate returns to more normal levels.

The recent reorganisation of government departments with responsibility for unemployment should be regarded as a welcome opportunity and a potentially positive development. A number of important reforms have been implemented, partly, it seems, informed by research evidence.

¹ In this context, short-term refers to anything typically less than one year duration.

1. From January 2011 the DSP is to take a greater role in providing activation services for the unemployed, as well as for its more traditional role in paying benefits. This is similar to the role adopted by social welfare authorities in other countries and consistent with the conclusions of the OECD report* on the need to combine income support and activation policies in Ireland.
2. We understand that, in the context of that reorganisation, the DSP has implemented a new case management system with a strong focus on activation, rather than just income support.
3. The Social Welfare (Miscellaneous Provisions) Act 2010 provides for sanctions to be applied to unemployed persons on the Live Register unreasonably refusing to participate in training, education and employment offers by facilitators within the DSP.
4. In November 2010 the DSP implemented a profiling system for the unemployed developed in collaboration between the Department and researchers from the Economic and Social Research Institute (ESRI). Profiling is a state-of-the-art statistically-based system for the early identification of those with high probability of becoming long-term unemployed, at the time they first become unemployed. It allows for a ranking of jobseeker claimants according to their probability of long-term unemployment and provides the capacity to target resources on those who need and can benefit from activation measures.
5. The Department of Education and Skills (DES) is to take responsibility for education and training of the unemployed. A crucial issue in this reorganisation will be which department assumes control over services to the unemployed: we need to shift from a provider-driven system, as has been implemented by FÁS as well as other training and education bodies up to the present, to a system that puts the unemployed client at the centre and responds to his or her specific education or training needs. A strong case can be made for the DSP to act as the broker to acquire high quality, appropriate and effective education and training from the market on behalf of its clients. Clearly the impact of these reforms should be evaluated systematically within a medium-time horizon to ensure that this essential area of public policy is both effective and efficient.

More generally, while it was not possible to address this issue within the context of the present study, if it transpires that wages in the economy have been falling at a higher rate than welfare benefits, then the replacement rate will increase. In order to avoid the creation of unemployment traps, it may also become

* Grubb, D., S. Singh and P. Tergeist. (2009). "Activation Policies in Ireland", *OECD Social, Employment and Migration Working Papers No. 75* (08-January-2009).

necessary to develop an explicit integration of activation measures with the replacement rate through a mutual obligations approach – in which unemployed jobseekers supported financially by the community would actively seek work and strive to improve their competitiveness in the labour market.

Chapter 1

Introduction and Background

This study reports the results of an evaluation, commissioned by the Department of Social Protection (DSP), of the National Employment Action Plan (NEAP), Ireland's activation strategy. Under the NEAP persons in receipt of Jobseeker's Benefit (JB) or Jobseeker's Allowance (JA) who reach three months duration on the Live Register of unemployment are identified by the Department of Social Protection (DSP) and referred to FÁS, the national training and employment authority, for an activation interview. In this activation process, clients may be provided with job search assistance, and/or referral to employment or training opportunities. We specifically examine the impact of two key interventions under the NEAP: (i) the impact of the NEAP referral plus interview process on a jobseeker's likelihood of exiting the Live Register to employment prior to 12, 15 and 21 months; and (ii) the impact of FÁS training schemes on an individual's probability of being on the Live Register 13 months following the commencement of the training or employment programme. The study links longitudinal information on a cohort of 60,000 claimants registering for JB or JA between September and December 2006 (tracked until June 2008) with data from the FÁS client events file, which enables us to follow interventions made over the period. The time period covered by the study was one of continued low unemployment and high economic growth and, as such, activation policies would be expected to have been at their most effective in Ireland during this time period. The study was conducted in conjunction with the DSP.

The key challenge in assessing the impact of NEAP interventions is the construction of an acceptable control group against which to measure any increase in the probability of employment experienced by jobseekers that were referred to FÁS for an activation interview and training. Under the NEAP, individuals are automatically referred to FÁS for interview after 13 weeks on the Live Register. Thus, in theory, it should not be possible to compare the labour market outcomes of individuals in receipt of employment assistance with a control group of individuals with similar characteristics and *unemployment durations who did not receive employment advice*. However, we discovered that a sizeable proportion of our eligible claimant sample was not referred to FÁS for interview, therefore providing us with a control group to compare our intervened jobseekers against. As such, the study can be arguably characterised as a natural experiment. The integrity of the control group has been validated by thorough checks with the DSP, which, despite rigorous and extensive investigation, could find no valid reason for the exclusion of the members of the control group from

the activation process. We also compare the outcomes of those that were either referred or referred and interviewed (i.e. our treatment group) with a second control group that had previous light exposure to the NEAP; specifically, an activation interview that took place a minimum of two years prior to the commencement of their current claim.

With respect to the training component of FÁS's active labour market programmes, the data were not sufficient to allow an evaluation of the Community Employment (CE) scheme, Ireland's main public sector job creation programme. The CE scheme is typically offered to long-term jobseekers and normally has a duration of 12 months.² However, we were able to draw some inferences on the likely success of the CE scheme from earlier research work undertaken on unemployment profiling.

The rest of the report is structured as follows. Chapter 2 provides some background on the use of Active Labour Market Programmes (ALMPs) to combat unemployment from an international perspective, and also a preliminary assessment of current arrangements in Ireland within this context. The data used in the study is discussed in more detail in Chapter 3, and a descriptive comparison of the treatment and control groups is provided in Chapter 4. The impact of the NEAP referral plus interview on the likelihood of a jobseeker exiting the Live Register at various time points is assessed in Chapter 5. An analysis of the impact of short-term FÁS training programmes on the probability of being absent from the Live Register some 13 months following the commencement of training is provided in Chapter 6. Finally, Chapter 7 outlines the report's main findings, and also considers the main conclusions that can be drawn from the evaluation.

² There are two CE programmes: (i) the part-time integration option and (ii) the part-time job option. The part-time integration scheme has a maximum of one year duration; however, depending on individual needs, this CE placement can be extended by another year. The part-time job option programme provides participants with part-time work placements of up to 6 years for individuals aged over 55 and up to 3 years for those under the age of 55.

Chapter 2

An Overview of Active Labour Market Policies

In this chapter, we begin by providing some background to active labour market policies (ALMPs). This is followed by an outline of the key instruments used by Public Employment Services (PES) to activate the unemployed and also the main active labour market programmes employed. We then briefly summarise the National Employment Action Plan (NEAP), Ireland's activation strategy. Evidence on the effectiveness of various ALMPs is then presented. Finally, drawing on two meta-analysis studies, we highlight the ALMPs that have been found to be the most effective in reintegrating the unemployed back into employment.

2.1 BACKGROUND: ACTIVE LABOUR MARKET POLICIES AND ACTIVATION STRATEGIES

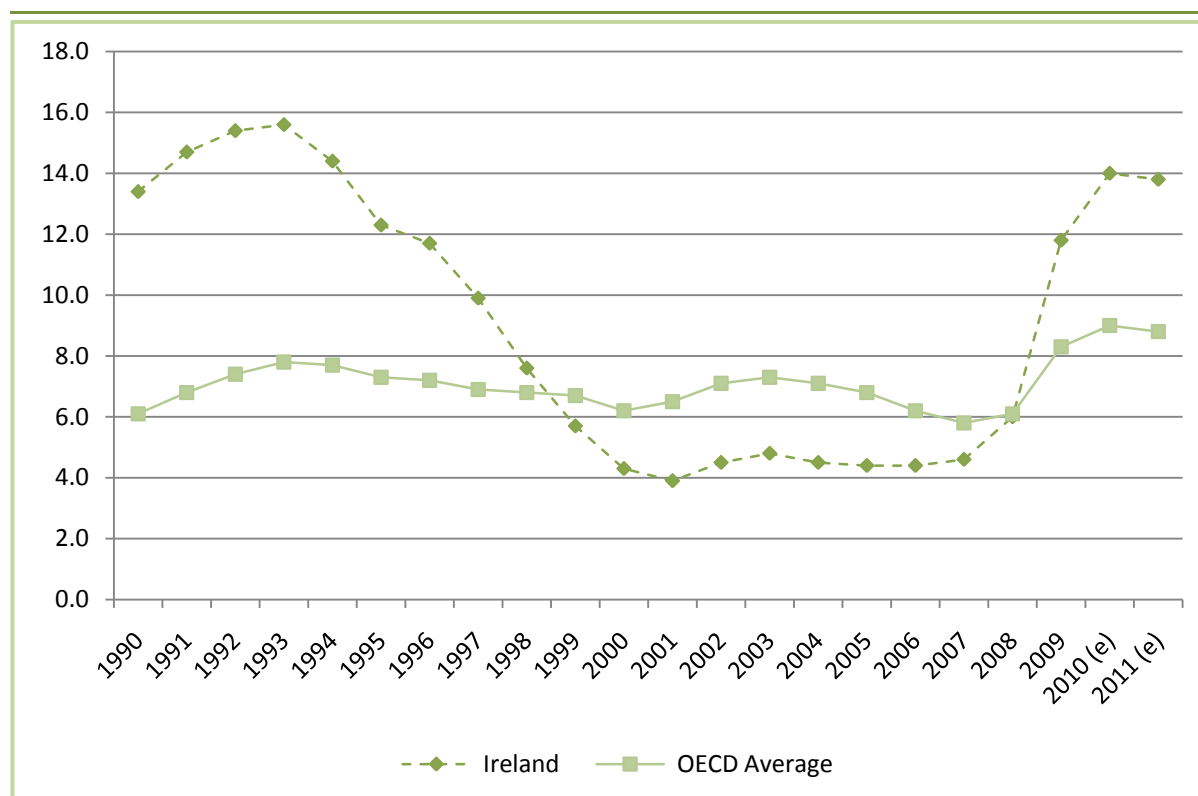
One of the main concerns for many countries in the current global recession is the unprecedented rise in unemployment and the implications that this has for workers and society in general. For example, the unemployment rate in Ireland remained around 4.5 per cent for much of the last decade, and it was around this level during the period of the current study. However, the rate increased dramatically to over 13 per cent in 2010, which is the highest it has been since 1996 (see Figure 2.1). Such sharp increases in rates have been relatively recurrent within an international context (Table 2.1). In response to this the OECD published its *Jobs Study* in 1994.³ that outlined a strategic approach to reducing high and persistent unemployment which centred around the design of effective ALMPs⁴ and unemployment related benefits. According to the OECD (2006a), the 1994 jobs strategy was an effective tool as those countries that implemented the measures did better, in general, in reducing persistent unemployment. In 2003, the OECD reassessed their job strategy and a new restated strategy was published in 2006.⁵ Again, this jobs strategy emphasised the implementation of well-designed unemployment benefit systems and ALMPs to cut unemployment.

³ OECD (1994a). *The OECD Jobs Study: Facts, Analysis, Strategies*. Paris: OECD. The publication of the *OECD Jobs Strategy* was supported by two volumes of research: OECD (1994b). *The OECD Jobs Study: Evidence and Explanations*, Volumes I and II. Paris: OECD.

⁴ OECD advocacy of ALMPs dates back to 1964 and 1976 council recommendations that set out a broad agenda for investment in human resource development, strategies for job creation, income security during unemployment and many other labour market issues (see www.oecd.org).

⁵ OECD (2006a). *Boosting Jobs and Income: Policy Lessons from Reassessing the OECD Jobs Strategy*. Paris: OECD.

FIGURE 2.1: Harmonised Unemployment Rates for Ireland and the OECD: 1990-2011



Source: OECD Labour Force Statistics (MEI) 1990-2009 and OECD Economic Outlook, No. 86 (November 2009) 2010-2011.

Coinciding with the formulation of the *OECD Jobs Strategy*, a consensus emerged among governments that, in order to tackle the unemployment problem, the balance of public spending on labour market policies should be shifted from passive social welfare supports to more active measures designed to get the unemployed back to work. This principle was initially put forward by OECD Labour Ministers in 1992 and was subsequently endorsed at their ministerial meeting in Paris in 1997.⁶ The shift in labour market policy spending to more active measures is also a component of the *EU Employment Guidelines*, which were formulated after the Amsterdam summit in 1997 (Martin, 2000). However, OECD data on labour market programme spending indicates that only a few countries have managed to switch their resources into active measures. This can be seen in Table 2.2, which gives the share of public spending on active and passive measures as a percentage of GDP. Since the principle was first instigated in the mid-1990s, Sweden is the only country that has consistently spent a higher

⁶ “When they last met in 1992, OECD Ministers of Employment and Labour stressed the need to shift public spending on labour market policies from passive to active measures. In most countries, more progress is needed in achieving this objective. Today, ministers reiterate this policy objective while at the same time underlying the need to enhance the effectiveness of active labour market policies and to design and manage unemployment and related welfare benefits fairly, but tightly. Active measures must not become inadvertently “passive” in that they simply provide parking slots for the unemployed or serve to re-establish benefit entitlements. At the same time, so-called passive measures should be designed and rigorously managed so that active job search by benefit claimants is rewarded, thereby ensuring that they do not become overly dependent on income support” (Martin, 2000).

proportion of public expenditure on active measures.⁷ The United Kingdom have done likewise since 2001 and New Zealand since 2006. The only years in which Ireland spent a higher proportion of expenditure on active measures were 2000 and 2001. In many countries, higher levels of unemployment have been put forward as a reason for the limited transfer of public resources into active measures, given that spending on passive income support will automatically increase during periods when unemployment is high. However, even during times of low unemployment in the last decade, public spending on passive measures was greater in most countries. For example, in Ireland unemployment averaged around 4.5 per cent between 2004 and 2008 but spending on passive income support was higher than that on active measures. Furthermore, the share of spending on active measures as a proportion of total public spending on labour market programmes actually declined during this period, from 42.6 per cent to 40.5 per cent. Perhaps this goes some way to explaining the persistence of unemployment in Ireland over this period which was characterised by high levels of economic growth, documented labour shortages and the successful absorption of large numbers of migrant workers into the Irish labour market. Given the buoyant macroeconomic conditions apparent within the country between 2004 and 2008 the level of unemployment could arguably have been reduced below the 4.5 per cent mark.⁸ Certainly, the provision of income support is essential during an economic downturn; however, in most countries the emphasis appears not to shift in the direction of active measures during periods of low unemployment. Obviously unemployment rates within any particular country will depend on both activation measures and a range of other macroeconomic factors. From Tables 2.1 and 2.2 it is apparent that there is no obvious link between international rates of unemployment and the proportions spent on active labour market programmes. However, as we will see, the international evidence relating to the effectiveness of unemployment activation programmes is largely positive.

⁷ 2004 is the only year between 1990 and 2007 that Sweden spent a larger proportion of their social welfare budget on passive measures.

⁸ Within any economy a certain level of frictional unemployment will always exist as individuals move between jobs etc, therefore, it is always unclear exactly what the lowest level of achievable unemployment is.

TABLE 2.1: Harmonised Unemployment Rates for Selected OECD Countries: 1990-2011

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010 (e)	2011 (e)
EU-15:																						
Ireland	13.4	14.7	15.4	15.6	14.4	12.3	11.7	9.9	7.6	5.7	4.3	3.9	4.5	4.8	4.5	4.4	4.4	4.6	6.0	11.8	14.0	13.8
Austria	-	-	-	4.0	3.8	3.9	4.3	4.4	4.5	3.9	3.6	3.6	4.2	4.3	4.9	5.2	4.8	4.4	3.9	5.0	7.1	7.3
Belgium	6.6	6.4	7.1	8.6	9.8	9.7	9.6	9.2	9.3	8.5	6.9	6.6	7.5	8.2	8.4	8.5	8.3	7.5	7.0	7.9	8.9	9.2
Denmark	7.2	7.9	8.6	9.5	7.7	6.8	6.3	5.2	4.9	5.1	4.3	4.5	4.6	5.4	5.5	4.8	3.9	3.8	3.4	6.0	6.9	6.2
Finland	3.2	6.7	11.6	16.2	16.8	15.1	14.9	12.7	11.4	10.3	9.6	9.1	9.1	9.1	8.8	8.3	7.7	6.9	6.4	8.3	9.7	9.7
France	8.4	8.9	9.8	11.0	11.6	11.0	11.5	11.4	11.0	10.4	9.0	8.3	8.6	9.0	9.2	9.3	9.3	8.3	7.9	9.4	9.9	10.1
Germany	-	4.2	6.3	7.6	8.2	8.0	8.7	9.4	9.1	8.3	7.5	7.6	8.4	9.3	9.8	10.6	9.8	8.4	7.3	7.5	9.2	9.7
Greece*	6.3	6.9	7.8	8.6	8.8	9.0	9.7	9.6	11.0	12.0	11.2	10.7	10.3	9.7	10.5	9.9	8.9	8.3	7.7	9.3	10.4	10.4
Italy	8.9	8.5	8.8	9.8	10.6	11.2	11.2	11.2	11.3	10.9	10.1	9.1	8.6	8.5	8.0	7.7	6.8	6.2	6.8	7.8	8.5	8.7
Luxembourg	1.7	1.6	2.1	2.6	3.2	2.9	2.9	2.7	2.7	2.4	2.2	1.9	2.6	3.8	5.0	4.6	4.6	4.2	4.9	5.8	7.1	7.5
Netherlands	5.9	5.5	5.3	6.2	6.8	6.6	6.0	4.9	3.8	3.2	2.8	2.3	2.8	3.7	4.6	4.7	3.9	3.2	2.8	3.5	5.2	5.5
Portugal	4.7	4.2	4.1	5.5	6.8	7.2	7.3	6.8	5.0	4.5	4.0	4.0	5.1	6.4	6.7	7.7	7.8	8.1	7.8	9.6	10.1	9.9
Spain	13.0	13.0	14.7	18.4	19.5	18.4	17.8	16.7	15.0	12.5	11.1	10.4	11.1	11.1	10.6	9.2	8.5	8.3	11.4	18.1	19.3	19.0
Sweden	1.8	3.1	5.6	8.8	9.3	8.8	9.5	9.8	8.1	6.7	5.6	5.9	6.1	6.8	7.6	7.7	7.1	6.2	6.3	8.3	10.3	10.1
United Kingdom*	6.9	8.6	9.8	10.2	9.3	8.5	7.9	6.8	6.1	5.9	5.4	5.0	5.1	5.0	4.7	4.8	5.4	5.3	5.6	8.0	9.3	9.5
OECD	6.1	6.8	7.4	7.8	7.7	7.3	7.2	6.9	6.8	6.7	6.2	6.5	7.1	7.3	7.1	6.8	6.2	5.8	6.1	8.3	9.0	8.8

Note: *2009 UE Rates came from OECD *Economic Outlook*, No. 86 (November 2009).

- Data not available.

Source: OECD *Labour Force Statistics* (MEI) for 1990-2009 figures and OECD *Economic Outlook*, No. 86 (November 2009) for 2010 and 2011 estimates.

TABLE 2.2: Public Expenditure on Passive and Active Labour Market Programmes as a Percentage of GDP

	1990		1995		2000		2005		2007	
	Active	Passive	Active	Passive	Active	Passive	Active	Passive	Active	Passive
EU-15:										
Ireland	1.06	2.55	1.35	2.61	0.81	0.80	0.64	0.83	0.64	0.91
Austria	0.32	1.00	0.38	1.60	0.52	1.17	0.63	1.51	0.68	1.25
Belgium	1.09	2.56	1.21	2.73	1.22	2.11	1.19	2.33	1.30	2.00
Denmark	1.06	4.38	1.72	4.30	1.89	2.38	1.58	2.34	1.31	1.50
Finland	0.84	1.11	1.42	3.87	0.89	2.08	0.89	1.90	0.86	1.43
France	0.72	1.37	1.19	1.51	1.19	1.38	0.89	1.58	0.92	1.24
Germany	0.79	1.00	1.19	2.31	1.23	1.89	0.88	2.34	0.77	1.63
Greece	0.19	0.40	0.40	0.38	-	0.39	-	0.40	-	-
Italy	-	0.82	-	0.95	-	0.62	0.57	0.81	0.46	0.71
Luxembourg	0.20	0.52	0.14	0.68	-	0.43	0.50	0.65	0.48	0.54
Netherlands	1.27	2.43	1.36	2.80	1.47	1.75	1.30	2.01	1.09	1.39
Portugal	0.48	0.33	0.50	0.86	0.63	0.82	0.69	1.32	0.53	1.09
Spain	0.78	2.61	0.43	2.43	0.79	1.35	0.78	1.45	0.80	1.45
Sweden	1.68	0.88	2.35	2.27	1.75	1.34	1.29	1.17	1.12	0.66
United Kingdom	0.58	0.68	0.43	0.83	0.25	0.31	0.44	0.19	0.32	0.16
OECD	-	-	-	-	0.69	0.93	0.62	0.96	0.56	0.75
Australia	0.22	1.12	0.74	1.26	0.37	0.88	0.38	0.56	0.32	0.42
New Zealand	0.88	1.90	0.68	1.14	0.49	1.33	0.39	0.43	0.34	0.23

Note: - Data not available.

Source: OECD Online Database on *Public Expenditure and Participant Stocks on LMP* (see <http://stats.oecd.org/Index.aspx>)

The issue of replacement rates,⁹ the standard indicator of the generosity of an unemployment benefit system, came to the fore at the time that the *OECD Jobs Strategy* was being devised. The evidence at the time suggested that replacement rates were sufficiently large to act as a disincentive to work for many welfare recipients, thus leading to the creation of unemployment traps (Martin, 2000). In light of this, the adoption of the *OECD Jobs Strategy* led a number of countries to examine their active labour market policies to see if they could be used more effectively to both curb the unemployment trap and reduce the high levels of unemployment that they faced. This examination in turn either led to the introduction of or to increased emphasis on ‘activation’ strategies in many countries (e.g. United Kingdom (UK), Germany, Denmark, Sweden, Switzerland, the Netherlands, France, Australia and USA), which had the objective of encouraging jobseekers to be more active in their efforts to find work and/or to improve their employability (OECD, 2007).¹⁰ Activation strategies apply the principle of ‘mutual obligation’, which means that benefit recipients are expected to engage in job search and/or education, training or employment programmes in exchange for receiving benefit payments and efficient employment services. In applying this principle, Public Employment Services (PES) aim to monitor benefit recipients’ compliance with eligibility conditions and to implement, where

⁹ The replacement rate is the proportion of expected income from work which is replaced by unemployment and related welfare benefits (Martin, 2000).

¹⁰ Activation strategies are increasingly being applied to non-employment benefit recipients, such as lone-parent and disability beneficiaries. See Carcillo and Grubb (2006) for more details.

necessary, temporary sanctions or benefit exclusions (OECD, 2007); thus linking activation measures with the replacement rate.

The increased role of activation/mutual obligation strategies has been one of the main labour market policy reforms in the OECD in the last decade.¹¹ If such strategies are designed appropriately then they can result in jobseekers having a better chance of finding employment, along with reducing the disincentive effect of high and long-lasting unemployment benefits. OECD (2003, 2007) research indicates that better labour market outcomes, particularly in terms of reducing benefit recipiency, have been achieved in those countries that have implemented an effective activation/mutual obligations scheme.

2.2 INSTRUMENTS USED TO ACTIVATE THE UNEMPLOYED

The primary objective of activation strategies is to encourage jobseekers to be more active in their efforts to find work and/or increase their employability. The key components of such a strategy are as follows (OECD, 2007):¹²

- i. Registration for placement and assessment of work availability as preconditions for benefit payment;
- ii. Regular and intense interventions in the unemployment spell by PES;
- iii. Explicit regulations regarding job search requirements;
- iv. Direct referrals to vacant jobs;
- v. Referrals to ALMPs (including education, training and employment programmes), with compulsory participation for some jobseekers.

In most countries, registration with the placement service and assessment of work availability are preconditions for benefit payment. The reason for combining both activation and income support is to emphasize the importance of the focus on 'work' as opposed to 'benefit' when contact with the PES commences. There are a few countries, Ireland included, where registration for benefit precedes that for placement. The rationale for such a system is not clear, with the time lag to registration leading to a number of potential matches of jobseekers to suitable jobs being missed when benefit is already being paid (OECD, 2007); thus implying an inefficient use of public resources.

¹¹ See Eichhorst and Konle-Seidl (2008) for a good overview of the evolution and development of activation strategies across various OECD countries.

¹² Voluntary interviews and collective information sessions are also used by some countries to activate the unemployed.

Interventions in the unemployment spell refer to compulsory scheduled contacts between the jobseeker and PES. These include: (i) the initial registration interview for placement and benefit, (ii) detailed registration interview,¹³ (iii) regular intensive interviews to report and monitor job search activities and work availability, referrals to vacant jobs, feedback on job application outcomes, discussion of individual action plans and referrals to ALMPs. An individual action plan is an agreement signed by both the jobseeker and PES officer. Typically such a plan: (i) describes the jobseeker's situation, (ii) outlines the actions to be undertaken by the jobseeker, in terms of job search activities and/or active labour market programme participation, and (iii) the duties of the employment service in facilitating the jobseeker to find a job and/or to increase their employability.

In terms of job search requirements, a number of countries now have explicit regulations for this activation feature and require that jobseekers regularly report and document their job search actions. The frequency of reporting and number of job search activities to be undertaken varies by country and also jobseeker type.

A direct referral to a vacant job is when the PES offers a specific vacancy to a jobseeker. This activation measure can occur at the initial interview¹⁴ and/or at subsequent intensive interviews. The main benefit of a direct job referral is that it can speed up the matching process and, thus, reduce benefit payment along with the risk of prolonged unemployment. A critical feature of this measure is the provision of feedback on the application outcome, from both the jobseeker and employer, as this information will assist in the provision of a good quality employment service to both jobseekers and employers.

Referrals to ALMPs are also an important feature of an activation strategy. The types of ALMPs that are employed by PES, which are discussed in more detail in Section 2.3, vary substantially across countries, and countries are continuously modifying their ALMPs, or introducing new ones; with the result that there is rarely a stable set of ALMPs to evaluate (Martin, 2000). Some countries have made participation in ALMPs compulsory, particularly in situations of longer unemployment durations, as research indicates that participation in such

¹³ Full registration interviews are conducted in those countries that only collect basic information at the initial placement interview. This interview is needed to obtain more detailed information on the benefit claimant (e.g. education qualifications, work history, etc.) so that the person can be referred to an appropriate vacant job or to an active labour market programme. Such interviews are also used to explain the full range of services provided by the PES, the rights and duties of the benefit claimant, application of a profiling instrument (if in existence) and to establish an individual action plan. In some countries, these latter tasks are carried out at the initial registration interview.

¹⁴ If work availability is evaluated at the initial placement interview as a pre-condition for benefit entitlement then the PES can intervene immediately with job offers.

programmes can speed up the re-employment process (see Chapter 3). The revised OECD Jobs strategy recommended that effective active labour market programmes should be made compulsory after a certain period of unemployment (OECD, 2007). In addition, it has been found that referral to ALMPs with the threat of benefit sanctions for non-participation has led to increases in the number of individuals going from benefit to work around the formal deadline for programme entry. This is known as the ‘motivation effect’, whereby individuals are motivated to avoid the obligation of programme participation and, thus, cease claiming benefit and re-enter the labour market (OECD, 2007). Research on the impact of compulsory participation in an active labour market programme on the behaviour of unemployed workers has shown that this threat effect can have a positive impact on re-employment rates (see Black *et al.*, (2003); Rosholm and Svarer (2004); Geerdsen (2006); Geerdsen and Holm (2007) and Graversen and van Ours (2006)). Most countries do not require jobseekers to continue with their job search obligations when participating in an active labour market programme (ALMP). However, the OECD (2007) recommends that some time should be set aside for jobseekers to continue job search and for PES to monitor this job search, as take up of market-sector jobs is viewed as being of more benefit to the jobseeker than participation in publicly-subsidised employment programmes.¹⁵

In implementing activation strategies, PES can, and does, through the principle of mutual obligation, impose temporary sanctions or benefit exclusions on jobseekers that do not comply with the activation measures that pertain to them. Several studies have found that the imposition of a sanction has a positive effect on re-employment rates (OECD, 2007). Boone and Van Ours (2006) and Boone *et al.* (2007) have developed theoretical models that illustrate that from a welfare point of view it is more optimal to introduce monitoring and sanctions into a welfare payment system.

In most countries, activation policies are implemented by the country’s PES; however, some countries¹⁶ have contracted private providers to implement their policies, either in full or in conjunction with the PES. The evaluation results on the effectiveness of such out-sourcing mechanisms are mixed: this appears to be largely due to the implementation of such mechanisms as opposed to the quality of the services offered by private providers in general.¹⁷

¹⁵ The OECD (2007) suggests that jobseekers undertaking courses (e.g. vocational training programmes) that are expected to deliver a certificate on completion should be exempt from job-search actions.

¹⁶ For example, Australia, the United Kingdom, the Netherlands and Germany.

¹⁷ See Tergeist and Grubb (2006) for further information on the use of quasi-market mechanisms in the provision of employment services.

Poorly controlled access to non-employment income-maintenance schemes, such as disability, lone-parent and early retirement, can undermine the impact of activation measures for unemployment benefit recipients, as some of the long-term unemployed enter benefit schemes that facilitate economic inactivity. Thus, there is a need for non-employment benefit gate-keeping (Tergeist and Grubb, 2006). Furthermore, several studies (OECD, 1994a; Martin, 2000; OECD, 2003, OECD 2006a, Tergeist and Grubb, 2006; OECD, 2007) emphasise that high quality PES are also required for an activation system to be effective. In this regard, the 1994 OECD Jobs Strategy recommended that the three PES functions of (i) placement and counselling, (ii) payment of unemployment benefits and (iii) the management of labour market programmes, should be fully integrated (OECD, 1994a). However, not only is functional integration important: it is also essential that the performance of employment services, both public and private providers, be continuously monitored via high-quality impact evaluations (Tergeist and Grubb, 2006).

2.3 ACTIVE LABOUR MARKET PROGRAMMES

The main ALMPs that PES uses to assist jobseekers to reintegrate into the labour market are as follows:¹⁸

- i. Job search assistance and sanctions;
- ii. Training programmes;
- iii. Public-sector job creation programmes;
- iv. Private-sector incentive schemes (e.g. wage subsidies and/or start-up grants).¹⁹

Job Search Assistance (JSA) and sanctions include a variety of measures that have the aim of increasing the effectiveness of job search. Examples of such measures include: counselling, monitoring, job search courses, vocational guidance, establishment of individual action plans, direct referrals to vacant jobs and the imposition of sanctions when jobseekers do not comply with the job search activities that are required for receipt of unemployment benefits. JSA tends to be the least costly ALMP (Martin, 2000; Kluve, 2006). Furthermore, compared to other ALMPs, JSA rates well in evaluation studies. However, the evidence suggests that JSA needs to be combined with increased monitoring of jobseekers.

¹⁸ Programmes are often targeted at specific groups, e.g. young workers (25 years of age and younger), disabled, lone-parents, immigrants, etc. These special programmes, and the literature that has evaluated them (see, for example, Blundell *et al.*, (2004), Larsson (2003) and Brodaty *et al.*, (2002) for youth programme evaluations, and Aakvik *et al.*, (2005) and Kirby and Riley (2004) for disability and lone-parent programme evaluations), are not discussed here as such programmes are outside of the scope of the evaluation conducted in this report.

¹⁹ A strict classification of an ALMP into one of these four categories is not always feasible as some countries have schemes that contain elements of two or more of these programmes.

The objective of the training programmes offered by PES is to enhance the jobseeker's human capital and, thus, their employment prospects. Training programmes vary according to jobseeker type. For example, some jobseekers require basic job search training or other general skills (e.g. basic computer skills), while others undertake more intensive and specific training to either enhance their employability or to secure better quality jobs (e.g. advanced computer programmes). Training tends to account for the largest share of spending on active measures (Martin, 2000). However, evaluations of the performance of public training programmes, which are discussed in more detail below, are mixed.²⁰ According to Martin (2000), the design of public training programmes is critical to their effectiveness. Specifically, such programmes need to be tightly targeted on participants, relatively small in scale and establish strong links with local employers through the inclusion of an on-the-job component in the programme.

Public-sector job creation programmes focus on the creation of public jobs that produce public goods and services (Kluge, 2006). The main objective of this type of programme is to keep the unemployed jobseeker in contact with the labour market and, thus, to prevent the erosion of their human capital while unemployed. However, such jobs are often not close to the ordinary labour market (Kluge, 2006).

The aim of private sector incentive programmes is to create incentives that will alter employer and/or worker behaviour regarding private sector employment. For example, the purpose of giving wage subsidies to private sector employers, which is one of the main types of measure in this category, is to encourage employers to either create new jobs or to maintain existing positions. Such subsidies, which can be given directly to the employer or employee, tend to be for a fixed period of time and are often targeted at more disadvantaged individuals.²¹ Start-up incentives, which are provided to unemployed individuals that want to establish their own business, are another type of private sector incentive programme. This measure tends to include the provision of both a grant and advisory support for a fixed period of time (Kluge, 2006).

²⁰ The 'locking-in effect' is one of the reasons for the poor performance of some training programmes, which is when job entry rates decline due to a decline in job search efforts when participating in a training programme.

²¹ In the current global recession, this measure is also being used by some countries to minimise the number of individuals being made unemployed.

2.4 IRELAND'S ACTIVATION SYSTEM: THE NATIONAL EMPLOYMENT ACTION PLAN PREVENTATIVE STRATEGY²²

In 1996, Ireland commenced its use of activation strategies when the DSP²³ introduced a new requirement whereby 18 and 19 year olds that had been unemployed for more than six months had to register for placement with FÁS, the national employment and training authority (Grubb, Singh and Tergeist, 2009). However, the use of activation measures began in earnest in September 1998 when the 'Preventative Strategy' was introduced under the National Employment Action Plan (NEAP).²⁴

Under the NEAP process, targeted groups of unemployment benefit recipients - those on either Jobseeker's Allowance (JA) or Jobseeker's Benefit (JB) - are engaged with at a relatively early stage of their unemployment spell. Specifically, after being on the Live Register for a certain period of time, unemployed individuals are referred by the DSP to FÁS for interview. It should be noted that Ireland is one of the minority of OECD countries where the placement function of the PES is separate from the benefit function (Grubb *et al.*, 2009). The interview aims to initiate a process whereby FÁS assists the unemployed individuals to reintegrate into the labour market, via intensive engagement, guidance and counselling, the provision of employment and/or training programmes, work placement and/or job offers i.e., by using ALMPs.

Initially, the NEAP activation strategy targeted unemployed persons aged under 25 that had reached six months on the Live Register. Since then, the activation strategy has been progressively extended to include additional groups crossing specified thresholds on the Live Register. The most recent change to the referral threshold took place in November 2006. Since this time, all unemployed individuals signing on the Live Register for three months are to be referred to FÁS.²⁵ Table 2.3 outlines changes to the target group and referral thresholds that have taken place since the NEAP activation strategy was introduced in September 1998.

²² See O'Connell and McGinnity (1997) for an outline of the evolution of active labour market policy in Ireland. Grubb *et al.* (2009) also provides a history of labour market programme developments in Ireland, along with PES. In addition, Grubb *et al.* (2009) presents a systematic evaluation of the effectiveness of employment service institutions and procedures in Ireland in 2009, along with outlining reforms needed to meet future challenges.

²³ The DSP was then known as the Department of Social and Family Affairs (DSFA).

²⁴ The NEAP was developed by the Irish government in response to the European Employment Strategy (EES). This strategy required each member state to develop a National Action Plan (NAP) setting out the actions that the country would undertake to implement the guidelines contained in the EES (Grubb *et al.*, 2009). The Irish government developed its 'Preventative Strategy' (i.e. activation strategy) to meet the specific EES guideline of improving employability via a more systematic engagement of the employment services with the unemployed.

²⁵ In response to the current economic crisis, the Irish government has introduced a pilot scheme of immediate activation for selected unemployed 18 and 19 year olds (OECD, 2009b).

TABLE 2.3: NEAP Activation Strategy Target Group and Referral Thresholds: 1998-2006

Policy Date	Target Group and Referral Threshold
September 1998	All Persons Aged 25 or Less: Six Months on the Live Register
March 1999	All Persons Aged 25 or Less: 18 Months on the Live Register
May 1999	All Persons Aged 25-34: 12 Months on the Live Register
February 2000	All Persons Aged 35-55: 12 Months on the Live Register
July 2000	All Persons Aged 25-55: Nine Months on the Live Register
March 2003	All Persons: Six Months on the Live Register Intensification of the referral process to capture long-term unemployed: individuals aged 18-54 six months on the Live Register not previously referred under the NEAP
July 2006	All Persons Aged 55 Plus: Six Months on the Live Register
November 2006	All Persons: Three Months on the Live Register

Source: Department of Enterprise, Trade and Employment: *Employment Action Plan Monthly Progress Report No. 136* (January 2010).

In terms of the actual process, when a JA or JB recipient reaches 13 weeks on the Live Register, the DSP's computer system automatically selects the person for activation under the NEAP. The jobseeker is then sent a letter by the DSP that sets out the: (i) interview date with FÁS, (ii) reason for referral (job search assistance) and the consequences of failing to attend the interview. A FÁS Employment Services Officer (ESO) is assigned to each referred client. At this stage, some clients are identified as not being ready to participate in FÁS services and are referred to Local Employment Services (LES) for more intensive counselling and placement efforts.²⁶ Failure to attend the interview may result in a sanction, such as suspension of payment or closure of claim by the DSP. However it should be noted that attendance at the FÁS interview is the benefit recipient's only *quasi-compulsory* contact with employment services under the NEAP (Grubb *et al.*, 2009). Any subsequent activation measures are purely voluntary in nature, implying that refusal to participate beyond the interview stage or to actively seek employment will generally not be met with sanctions. Grubb *et al.* (2009, 85) argue that sanction rates in Ireland "are either the lowest or close to the lowest in international comparative terms in three areas: (i) sanctions for voluntary job leaving, (ii) refusal of work and (iii) refusal of an ALMP place. They also note that Ireland's sanction rates in respect of insufficient job search "are below typical levels (in the latter 1990s) in the countries that require frequent reporting ... but well above those in Canada, another country that checks via occasional retrospective interviews". The authors note that such checks of job search in Ireland "although not frequent, follow a systematic schedule: DSP guidelines call for checks at seven months of unemployment, 12 or 15 months depending on benefit type, and annually thereafter."

For those jobseekers that remain with FÁS, ESOs case-load each client and establish an interview schedule and Action Plan. The number of meetings that

²⁶ LES are community-based, independent companies that are contracted by FÁS to deliver services to clients that are considered to be most distant from the labour market.

take place between the jobseeker and their ESO depends on the client's needs.²⁷ Between 2003 and 2007, an average of 30,000 individuals per annum were interviewed by FÁS under the NEAP (Grubb *et al.*, 2009). After the initial interview, job search monitoring may be part of subsequent meetings between the ESO and their client. However, job search monitoring in Ireland is much less formalised compared to other countries, such as the UK. The action plan, which is agreed between the ESO and their client, consists of a number of measures that have the aim of assisting the jobseeker to reintegrate into the labour market. For example, a jobseeker might be referred to a job club, training course or a Community Employment (CE) scheme.²⁸ Alternatively, the jobseeker might be directly referred to a vacant job or on placement via a job subsidy scheme. Grubb *et al.* (2009) suggest that approximately 25 per cent of FÁS interviewees will be placed in a job or training. Action plans tend to be reviewed and updated, particularly if the plan is not producing its desired result, which is to increase the jobseeker's employability and reintegration into the labour market.

The few previous evaluation studies that have been undertaken on the NEAP, specifically by O'Connell (2002a) and Indecon (2005) concluded that, by and large, the NEAP has been an effective labour market policy tool. According to O'Connell, the NEAP process, in conjunction with increased labour demand, was successful in achieving a substantial movement off the Live Register between its inception and 2001. However, O'Connell concludes that this positive finding in relation to the NEAP is tentative as the process had not been subject to a rigorous evaluation at the time he conducted his work. Indecon (2005) concluded from its review of the NEAP, which consisted of both econometric and non-econometric analyses, that the process encouraged early exit from the Live Register and helped to prevent individuals from drifting into long-term unemployment (Grubb *et al.*, 2009). However, Indecon did not analyse the destinations of those that exited the Live Register i.e. whether benefit recipients exited to the labour market, training or moved on to some other non-employment benefit. Indecon (2005) compared the Live Register status of a random sample of 1,000 NEAP participants in 1999, 24 months after they had participated in the NEAP, with a control group of 225 unemployed individuals drawn from the European Community Household Panel Survey (ECHP). They found that NEAP participants were less likely to be on the Live Register two years after they had been initially observed. However, this result is hardly surprising given that the descriptive data presented in their report reveals that 58 per cent of the control group (i.e. ECHP sample) had unemployment durations that were greater than 18 months at the point of initial observation compared to just 15 per cent of the treatment group

²⁷ The average number of scheduled meetings tends to be two to three but meeting frequency can be higher for more disadvantaged jobseekers (Grubb *et al.*, 2009).

²⁸ Ireland's social employment or public works programme.

(i.e. NEAP participants). Thus, the highly disadvantaged characteristics of the control group will have resulted in a lower likelihood of exit from the Live Register than for the treatment group independent of the effects of NEAP. Given the discrepancies in the unemployment durations of the treatment and control groups, the study does not represent a “like-with-like” comparison. The Indecon study is also problematic because: (i) there is no guarantee that members of the control group had no exposure to the NEAP, (ii) the outcome variable relates to an absence from the Live Register two years following initial observation, which does not necessarily imply that the benefit recipient employed in the labour market, and (iii) no checks were undertaken to ensure the treatment sample was representative of the NEAP population.

A complication that arises when attempting to evaluate the effectiveness of Ireland’s activation strategy (i.e. the NEAP), stems from the fact that responsibility for activation measures are spread across a number of bodies. While the placement function of PES is the responsibility of FÁS, benefit recipients may also receive employment counselling from their LES,²⁹ DSP facilitators, and/or from the “Services to the Unemployed” activity within the Local Development Social Inclusion Programme (Grubb *et al.*, 2009). The existence of non-integrated JSA facilities raises some concerns relating to both resource duplication and the possibility that benefit recipients accessing more than one form of job search assistance may not be receiving consistent advice. Furthermore, the separation of benefit provision and activation in Ireland, and also the absence of sanctions for insufficient levels of job search, or refusal to participate in other ALMPs, is substantially out of line with what has become common practice in most OECD countries in the last decade or so. In a recent review of Ireland’s activation policy, Grubb *et al.* (2009) are somewhat critical of the NEAP and make a number of recommendations for reform including:

- i. An intensification of activation measures among the unemployed;
- ii. An integration of placement and benefit functions by expanding the role of the DSP to include job search monitoring, employment counselling and job-brokering;
- iii. Compulsory referrals to job placement programmes;
- iv. Increased scrutiny of eligibility for unemployment benefits;
- v. Making benefits conditional on participation in job creation programmes; and
- vi. No rapid expansion of the CE programme.

²⁹ These are not wholly integrated into FÁS.

We will return to the discussion of programme reform in the Conclusions section of the report (Section 7).

2.5 EVIDENCE ON THE EFFECTIVENESS OF ACTIVE LABOUR MARKET PROGRAMMES

A considerable number of evaluations on the effectiveness of individual active labour market programmes have been conducted by various institutions (e.g. OECD, European Commission, researchers for government departments, etc.) and independent researchers. This research, which goes back to the mid-1970s,³⁰ aims to assess the impact of programme participation on individuals' employment and/or earnings after they have left the programme relative to a benchmark group of similar individuals that did not participate (Martin, 2000).³¹ The research presented is, for the most part, from other European countries that evaluated ALMPs that were implemented in the 1990s and 2000s.³² An overview of the studies that are reviewed is presented in Table A1 in the Appendix.

Job Search Assistance and Sanctions

A number of studies suggest that job search assistance (JSA) measures (e.g. interviews/counselling, job placement services, etc.), including the monitoring of job search behaviour and the threat and/or imposition of sanctions for non-compliance, can be effective in increasing the transition from unemployment to work. Some studies have found that JSA measures on their own can have positive employment effects. For example, Crépon, Dejemeppe and Gurgand (2005) evaluated four French JSA schemes and found that each programme increased the transition to employment and also reduced unemployment recurrence, with the job search support JSA programme having the strongest effects overall. While these results suggest that JSA measures without monitoring and/or the threat of sanctions can be effective, the results need to be interpreted with caution as only a small fraction of the unemployed (less than a fifth) received treatment. Other researchers, such as Cockx and Dejemeppe (2007) using Belgian data, have shown that the threat of monitoring job search activities in isolation from JSA measures

³⁰ Researchers in the US began conducting evaluation studies around this time, whereas European researchers started much later.

³¹ Some macro-econometric studies have also been conducted on the effectiveness of active labour market programmes. This literature, which analyses the impact of spending on active labour market programmes on some macroeconomic aggregate (such as unemployment or real wages), is not discussed here as it is outside of the scope of this research. See OECD (2006b), Kluve, Card, Fertig *et al.* (2005) and Martin (2000) for some discussion on the results that have been found in this literature.

³² See Heckman, Lalonde and Smith (1999) and Kluve and Schmidt (2002) for earlier systematic reviews on the effectiveness of active labour market programmes in both Europe and the US. See also Martin (2000), Martin and Grubb (2001), OECD (2005) and OECD (2006b) for a review of the effectiveness of various OECD country programmes.

(e.g. counselling) can increase unemployed workers probability of employment,³³ and increasingly so as benefit claimants approach the time at which monitoring takes place.³⁴ Positive results have also been found for the imposition of sanctions for non-compliance with job search requirements. An investigation of this measure by van den Berg *et al.* (2004) in the Netherlands found that sanctions substantially increased the individual transition rate from welfare to work (see also Abbring, van den Berg and van Ours, 2005). Lalive *et al.* (2005) found that both sanction warning and enforcement had a positive effect on the exit rate from unemployment³⁵ in Switzerland. A number of other evaluations have found that JSA measures coupled with increased monitoring of job search behaviour and sanctions have been successful in getting unemployed workers back to work.³⁶ Examples of this include Müller and Steiner (2008) for Germany, Svarer (2007) for Denmark, Blundell *et al.* (2004), van Reenen (2003) and Dolton and O'Neill (1996) for the UK³⁷ and Sianesi (2008) for Sweden.³⁸ However, given that the majority of the evaluated programmes contained both JSA measures and sanction mechanisms, it is difficult to disentangle the relative influences of each component on the transition from unemployment to work. While there is some debate in the literature over the optimal combination of assistance, monitoring and the threat and/or enforcement of sanctions that is required, it would appear that, by and large, a combination of all components are needed to produce benefits for both unemployed workers and society at large (Martin, 2000; OECD, 2005 and 2006b; and Kluge, 2006).

Training Programmes

The findings from the empirical literature on the effectiveness of training programmes are mixed, even when long-run effects are considered. Some studies have found positive effects of participation in training programmes on employment, earnings and/or both. Kluge *et al.* (1999) found a statistically significant positive effect of training programmes on participants' employment rates in Poland. Van Ours (2001) also found that training had a positive effect on

³³ The positive threat result derived by Cockx and Dejemeppe (2007) specifically relates to highly educated workers. Thus, the threat of increased monitoring may not be an effective tool for increasing transitions to employment of more disadvantaged workers. Breunig *et al.* (2003) found that a policy of increased monitoring and counselling in Australia was not an effective tool in assisting long-term unemployed workers to find jobs.

³⁴ There is some concern that the threat of increased monitoring may result in workers accepting lower quality jobs; however, Cockx and Dejemeppe (2007) argue that this outcome can be countered by appropriate scheduling of JSA interviews/counselling.

³⁵ Lalive *et al.* (2005) concluded that their results were evidence of a strong ex-ante effect of a strict sanction policy.

³⁶ Examples of US studies that have derived this result include Katz and Meyer (1990), Meyer (1990) and Meyer (1995).

³⁷ The Blundell *et al.* (2004) and van Reenen (2003) results are based on an evaluation of the 'New Deal for Young People' programme and relate to males, while the Dolton and O'Neill (1996) results come from an assessment of the 'Restart' programme.

³⁸ Sianesi (2008) evaluated six Swedish ALMPs and found that each had a negative short-term impact on their participants' employment probability relative to unemployed individuals that had JSA type assistance. Apart from wage subsidies, the same results on the other ALMPs held in the long-run as well.

the job placement rate of unemployed workers in the Slovak Republic. However, van Ours (2001) attributed this result to reverse causality (unemployed workers only entered the training programme because they were promised a job). Arellano (2005) examined a variety of training courses in Spain and found that, apart from a basic training programme, all courses had a positive effect on participants' exit rates from unemployment, with a stronger effect for females.³⁹ Jespersen *et al.* (2008), on the other hand, found no significant effect (short or long-term) from classroom training on participants' earnings or employment in Denmark.⁴⁰ Rosholm and Skipper (2003) assessed the effectiveness of a Danish training programme targeted specifically at unskilled workers and found that it increased the subsequent unemployment rates of its participants, a result the authors attributed to a locking-in effect.⁴¹ Using Swedish data, Sianesi (2008) found that unemployed individuals that participated in a labour market training programme subsequently displayed lower employment rates (short- and long-term), along with a higher benefit collection probability. An earlier study of Swedish ALMPs by Carling and Richardson (2004) derived similar results. Specifically, Carling and Richardson (2004) found that ALMPs in which recipients obtained subsidised work experience and training provided by firms had better outcomes than classroom vocational training. O'Connell (2002b) drew a similar conclusion using Irish data.⁴² Negative or insignificant training effects have also been uncovered for Switzerland (Lalive *et al.* (2008) and Gerfin and Lechner (2002)) and various other European countries (see Kluve, 2006).

Public Sector Job Creation Programmes

The evidence from the evaluation literature indicates that direct job creation in the public sector has not, for the most part, been successful in assisting unemployed individuals to secure permanent jobs in the ordinary labour market. In evaluating active labour market programmes in Poland, Kluve, Lehmann and Schmidt (1999) found that public work had negative employment effects for its participants, a result the authors mainly attributed to 'benefit churning' as opposed to stigmatisation from programme participation.⁴³ Sianesi (2008) also found that public relief work in Sweden lowered participants' future employment

³⁹ Lechner *et al.* (2007) found that German training programmes increased participants' long-run employment prospects but only females.

⁴⁰ Furthermore, in a cost-benefit analysis of the large-scale system of ALMPs in Denmark, Jespersen *et al.* (2008) found that classroom training led to a deficit.

⁴¹ Other studies have also found insignificant or negative employment effects for the Danish labour market training programme (see Rosholm and Skipper (2003) for more details).

⁴² O'Connell and McGinnity (1997) demonstrate the importance of market-oriented ALMPs for young Irish unemployed individuals' employment prospects, while Conniffe *et al.* (2000) demonstrate that general training has no impact on the employment prospects of unemployed individuals in Ireland.

⁴³ In Poland, participation in an ALMP entitles benefit recipients to a further 12 months of benefit payment.

rates.⁴⁴ Gerfin and Lechner (2002) and Lalive *et al.* (2008) derived a similar result for Switzerland, as did Jespersen *et al.* (2008) for Denmark. Hujer and Wellner (2000) found no significant employment effect for public sector job programmes in Germany. In examining the Slovak Republic's ALMPs, van Ours (2001) found that unemployed individuals that had participated in a public sector job programme were more likely to find a job and less likely to lose the job than those that had not. However, he attributed these two results to signalling rather than to the impact of the job programme *per se*.⁴⁵ In her analysis of various Swedish ALMPs, Sianesi (2008) concluded that those ALMPs that resembled regular employment in the open labour market performed better in increasing the employment prospects of their participants. This finding is also supported by Carling and Richardson's (2004) research. Overall, the evidence from the evaluation literature suggests that direct job creation in the public sector has not been successful in improving the labour market prospects for unemployed workers (see also Martin (2000), Kluve and Schmidt (2002), OECD (2005) and OECD (2006)). With respect to Ireland and, specifically the CE scheme, O'Connell, McGuinness, Kelly and Walsh (2009), in the course of developing a statistical profiling model for Ireland, found that previous participation on this programme substantially raised an individual's likelihood of becoming long-term unemployed. O'Connell (2002b), and Denny, Harmon and O'Connell (2000) found similar negative results for participation in CE schemes in the 1990s.

Private Sector Incentive Schemes

Private-sector incentive schemes consist of both wage subsidies to private sector employers and start-up grants; however, the majority of evaluations have been conducted on the former instrument. While a few studies have obtained negative or insignificant employment effects for private subsidised employment programmes, such as Kluve *et al.* (1999) for Poland⁴⁶ and van Ours (2001) for the Slovak Republic, positive results from such schemes have been found in most countries. For example, Jespersen *et al.* (2008) found that wage subsidies in Denmark had substantial positive employment and earnings effects. Even when the costs of providing this ALMP were accounted for, the programme still came out with a surplus. Both Lalive *et al.* (2008) and Gerfin and Lechner (2002) derived positive employment results for wage subsidies in Switzerland, as did O'Connell (2002b) for Ireland (see also O'Connell and McGinnity, 1997) and Blundell *et al.*

⁴⁴ Carling and Richardson (2004) came to a similar conclusion in an earlier study using Swedish data.

⁴⁵ According to van Ours (2001), by accepting a position on a public sector job programme unemployed workers are signalling to potential employers that they have a positive attitude towards work.

⁴⁶ Kluve *et al.* (1999) found that Poland's subsidised employment programme had a large negative impact on the employment rate of males and no impact on females. The authors attributed the male result to interactions between the programme and the unemployment compensation system in Poland.

(2004) for the United Kingdom (see also van Reenen, 2003).⁴⁷ In analysing Sweden's ALMPs, Sianesi (2008) found that all programmes initially reduced their participants' employment probability (short-term effect); however, job subsidies increased employment prospects in the long-term and also reduced unemployment benefit dependency (see also Carling and Richardson, 2004). Boockmann *et al.* (2007) found that the availability of hiring subsidies in Germany only increased transitions to employment for females in East Germany. This result led them to conclude that, in general, the availability of wage subsidies in Germany does not change firms' hiring behaviour and mainly lead to deadweight effects.

In general, the findings in relation to wage subsidies are encouraging; however, one needs to bear in mind that most studies do not account for the potential displacement and substitution effects associated with such schemes.

Meta-Analysis Studies

There are a number of *caveats* that need to be borne in mind relating to the generality of the conclusions that can be drawn from the findings of the evaluation literature. In particular, it is difficult to isolate what one country can learn from other countries' experiences with ALMPs, specifically in terms of identifying what programmes have been found to work. This is due to variations in economic and institutional settings across countries, along with specific programme characteristics (e.g. type, scale,⁴⁸ target group, etc.), methodological issues in conducting the evaluations⁴⁹ (e.g., data used, methodology employed, outcome measured, use of selection controls, etc.) and the time period over which programmes are assessed.⁵⁰ In their recent surveys of the evaluation literature, both Kluve (2006)⁵¹ and Card, Kluve and Weber (2010) use a meta-analytical framework⁵² to overcome these cross-country comparison problems

⁴⁷ UK results are for males only.

⁴⁸ Many programmes that have been evaluated tend to be small scale or trial programmes; thus, while such programmes might produce positive outcomes, the positive results might not hold if the programme was extended in terms of participant numbers or geographic coverage (Martin, 2000).

⁴⁹ See Heckman *et al.*, (1999), Blundell and Costas-Dias (2000) and Kluve and Schmidt (2002) for a discussion of the methodological issues that arise in evaluating active labour market programmes (see also Heckman, Ichimura and Todd, 1998). Imbens and Wooldridge (2008) provide a survey of the most recent methodological advances in evaluating active labour market programmes (see also Cahuc and Le Barbanchon, 2010).

⁵⁰ The majority of evaluations focus on short-term outcomes (e.g. one to two years after the person has participated in a programme); consequently, a programme that is found to be effective in the short-run might not necessarily have long-term benefits, and vice-versa.

⁵¹ This paper resulted from a research project undertaken by RWI Essen for the European Commission entitled "*Study on the Effectiveness of ALPMs*".

⁵² A meta-analysis is a statistical procedure that combines the results from different studies that address the same scientific question (e.g. ALMP effectiveness) in order to obtain a quantitative estimate of the overall effect of a particular intervention (e.g. ALMP participation) on a defined outcome (e.g. re-entry to the labour market).

and draw conclusions on what countries can learn from each other on ALMP effectiveness.

The two meta-analysis studies, each of which is based on more than 100 evaluations, took account of: (i) programme type, (ii) methodology used in the study, (iii) institutional context, (iv) the economic background in the country at the time the particular programme was in operation, (v) the country the programme relates to and (vi) the decade in which the programme was run, to identify the effectiveness of various ALMPs.⁵³ In particular, the two studies assessed the effectiveness of: (i) JSA and sanctions, (ii) training programmes, (iii) public sector job creation programmes and (iv) private sector incentive schemes, in terms of whether each programme had a positive, negative or insignificant treatment effect on post-programme employment rates.

In terms of the results, overall both Kluve (2006) and Card *et al.* (2010) found that once the *type* of ALMP is taken account of, e.g. JSA, training, etc., there is little systematic relationship between programme effectiveness and the other contextual factors. Kluve (2006) showed that relative to training programmes, JSA and sanctions and private sector incentive schemes had higher probabilities of positive treatment effects, while the opposite was the case for direct employment schemes in the public sector. Card *et al.* (2010) found similar results. However, these authors assessed both the short-term and long-term effectiveness of ALMPs and found that JSA had more favourable short-term impacts, whereas training programmes produced better outcomes in the medium-term. Public sector job creation programmes, on the other hand, had negative outcomes in both the short and medium runs. Card *et al.* (2010) also concluded that ALMPs do not have differential effects on males and females.

The main policy implication that follows from Kluve (2006) and Card *et al.* (2010) is that programme type is what matters most for ALMP effectiveness; thus, highlighting the importance of choosing the correct set of policy instruments for tackling unemployment.

⁵³ Card *et al.* (2010) also took account of the heterogeneity of programme participants (e.g. gender, age, disadvantaged, etc.) in their meta-analysis.

Chapter 3

Data and Methods

In order to rigorously evaluate the impact of the NEAP, we compare individuals who participated in ALMPs under the NEAP with two control groups of individuals who did not participate. The treatment group is composed of those who were on the Live Register and were referred to FÁS for NEAP intervention. Members of Control Group I were also on the Live Register and were eligible for referral to FÁS but were not in fact referred. Control Group II members were on the Live Register but were not referred to FÁS because they had received a light intervention in the context of a previous spell of unemployment.

The data used in this study come from three key administrative data sources:

- i. The Live Register database, which contains information on all unemployment benefit recipients in Ireland, and was constructed using weekly files detailing (i) the claimant population and (ii) claimants leaving the register in any one week;⁵⁴
- ii. The FÁS Events and Customer files, which chronicle each jobseekers contact with the employment and training agency;
- iii. The DSP's Profiling datafile, which contains employment, unemployment and benefit history information, along with comprehensive socio-economic details, on all individuals that registered for an unemployment claim during a 13 week period between September and December 2006.

The general approach to the construction of the sample is outlined below in Figure 3.1. The Live Register information was constructed using weekly files provided to us by DSP for the period September 2006 to June 2008 for our population of individuals who made claims for unemployment benefit in a designated 13 week period between September and December 2006. The Live Register database was then merged with the specially designed profiling information and the FÁS customer events file to generate the final database on which the evaluation was based. From the evaluation database, we then drew a treatment population of individuals not previously intervened under NEAP that were referred to FÁS. The outcomes in respect of this population were compared with (i) Control Group I, composed of claimants qualifying for NEAP who were not

⁵⁴ The Live Register database contains detailed information on benefit recipients' marital status, geographic location (i.e. the social welfare office where the claimant signs on the Live Register) and spousal earnings.

referred to FÁS; and (ii) Control Group II, populated by individuals who had limited prior interventions under the NEAP (Figure 3.2).

FIGURE 3.1: Construction of NEAP Evaluation Dataset

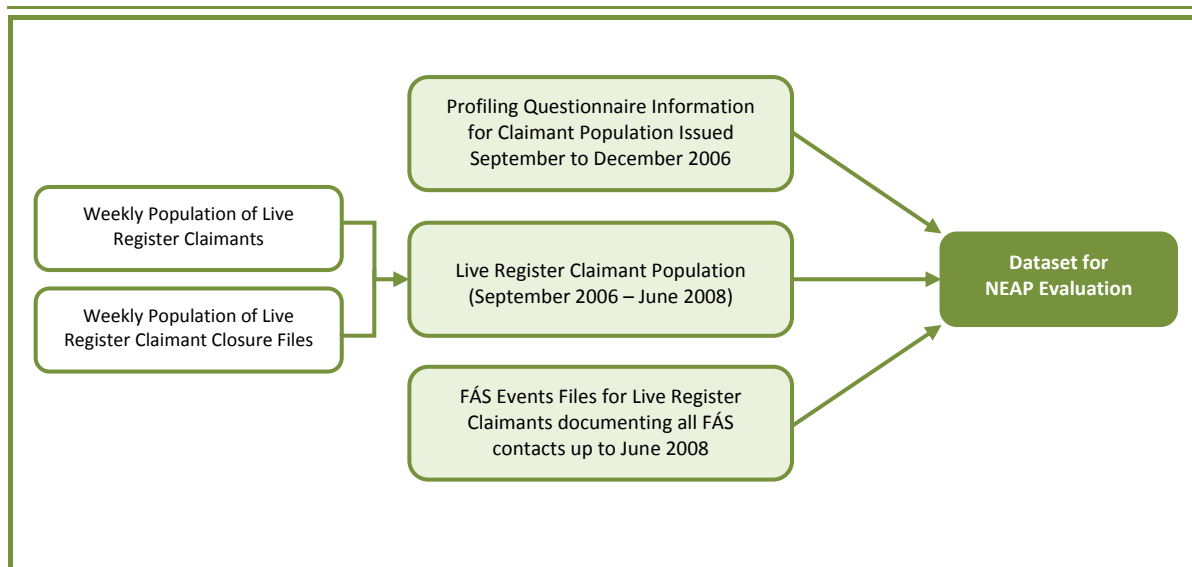


FIGURE 3.2: Breakdown of NEAP Evaluation Dataset

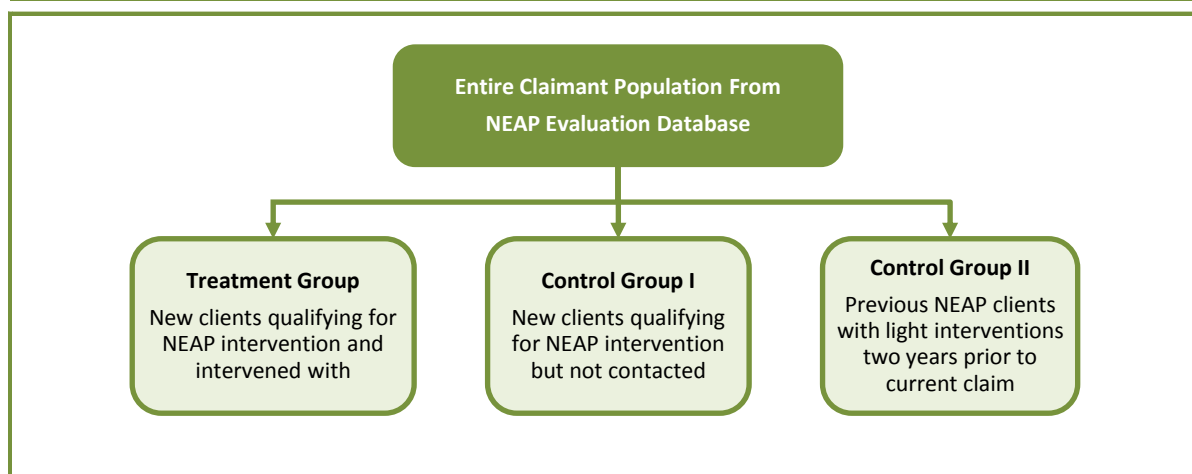


Table 3.1 below outlines the approach used to construct the treatment and control groups used within the study in more detail. The total number of unemployment benefit claimants within the initial profiling database was 60,189. However, over 15,000 individuals failed to complete a questionnaire that was administered to the initial profiling population. When account is taken of this, and duplicates and claim types ineligible for NEAP assistance are eliminated as well, our NEAP evaluation sample fell to 27,328. Individuals whose unemployment benefit claim was closed but the reason for the closure was either unknown or related to a transfer to an alternative benefit were subsequently

removed from the sample because, in this instance, we are only interested in closures to employment.⁵⁵ We also excluded individuals subsequently sent to FÁS training on the grounds that such persons would generally be assigned to a training course during the interview process and would be likely to desist from job search until training commenced. Thus, individuals awaiting training would, by definition, have extended durations and inclusion in the sample would downwardly bias any treatment effect. These eliminations resulted in a further reduction in our sample to 22,381. Of this sample, 7,791 had registered with FÁS previous to the study period (i.e. prior to September 2006), while the remaining 14,590 had not and, as such, were classified as new clients. Of those not previously registered with FÁS, 7,721 were referred to FÁS for employment advice: it is this grouping that represents our designated treatment group with respect to the evaluation of the referral and interview components of the NEAP activation process. We also excluded the following types of claimants from our sample: (i) late interventions (FÁS interview) that could not be effectively measured at the 52 week point;⁵⁶ (ii) individuals with a history of long-term unemployment,⁵⁷ (iii) re-entrants to the Live Register⁵⁸; (iv) unrecorded closures; and, finally, (v) individuals where a FÁS interview apparently took place but none was recorded. After these final exclusions, we were left with a treatment group of 4,963 individuals. On average, with respect to our treatment group, claimants received employment advice after approximately 17 weeks duration on the Live Register.

The next step in our analysis was to construct two control groups. As stated, the first control group consists of 4,755 new clients that did not receive employment advice or training, nor were they placed in employment by FÁS during the study period. We subsequently refer to this grouping as Control Group I. Obviously, many claimants in Control Group I will not have received employment advice by simple virtue of the fact that their claim ended prior to the 13 week duration FÁS referral point. Consequently, we further restrict Control Group I to individuals with unemployment durations of 20 weeks or more, which reduces the number in this control group to 1,521.

⁵⁵ While this exclusion is deemed necessary, in subsequent sensitivity tests we found that our results were largely unchanged when we estimated our models on all closures.

⁵⁶ The cut-off point was week 45.

⁵⁷ Given that our treatment group, by virtue of the fact that they had previously not met the qualifying criteria for NEAP, will have little or no history of long-term unemployment or participation on the Community Employment scheme, we exclude any such individuals from our sample in order to ensure a more like-with-like comparison.

⁵⁸ The decision to exclude re-entrants is based on the assumption that a successful intervention is one which facilitates a sustained exit from the Live Register to employment.

Control Group II is taken from the population of 4,459 previous FÁS clients that have been off the Live Register for at least two years, whose previous intervention was limited to the referral plus interview process and who had a current duration on the Live Register of at least 20 weeks. One of the administrative rules of the NEAP is that current JB and JA claimants who have had a previous spell of unemployment and received an intervention at that time, are not considered eligible for a NEAP intervention in their current spell. Within the context of our current sample of 22,381 individuals, 5,824 were prior clients who had previously received some intervention under NEAP. Therefore, existing rules precluded over 25 per cent of our current sample from receiving employment advice or assistance under the NEAP programme. The rationale for Control Group II lies in the fact that their previous interventions took place at some point prior to their existing social welfare claim and the interventions received were relatively light. Thus, we might expect any impact to have reduced substantially. Furthermore, in addition to receiving more timely job search advice, current NEAP clients also have the possibility of being placed with an employer through FÁS, which should further serve to generate a positive intervention effect and, arguably, the separation of Control Group II and the Treatment Group will allow us to isolate the effectiveness of the placement component of FÁS assistance. The sample size of Control Group II - those who had received light interventions more than two years previous to the study - was 1,616. This fell to 1,094 when the 20 week restriction was applied. Finally, imposing the 20 week duration restriction on the treatment group reduces its size to 4,034 individuals.

One important implication of the data generation process is that, based on the population of 5,555 new clients with at least 20 weeks duration, all of whom were eligible for assistance under the NEAP, approximately 27 per cent were not referred to FÁS by the DSP system. Thus, potentially, over time, a large number of individuals may have fallen outside the activation net, with potentially substantial consequences with respect to both individual employment probabilities and exchequer costs. We checked carefully to ensure that there were no underlying systematic reasons why individuals in Control Group I were not referred for interview, despite their eligibility, and our comparison below of the composition of the Treatment Group and Control Group I suggests that there are no significant differences in key characteristics (age, sex, education, unemployment payment type etc.). The reasons behind the non-referrals could not be clearly established during the validation process; however, what is obvious is that such a failure would have been much less likely had the DSP and FÁS recording systems been fully integrated. The unintended benefit of this policy failure to deliver activation services to an eligible group of unemployed individuals is that we can make use of an apparently randomly selected control group to assess the impact of the NEAP.

TABLE 3.1: Treatment and Control Group Information

NEAP Data	Numbers
Original Sample	60,189
Excluding Duplicates, non-JB or JA, non-activated and incomplete questionnaires	27,328
Live Register Leavers' Sample Adjustments:	
1. Non-labour market leavers eliminated from sample	2,011
2. Unknown reason for closure cases eliminated from sample	1,954
3. Individuals in receipt of training	982
NEAP Sample:	22,381
1. Old FÁS Clients	7,791
<i>Of which - Historic interventions were light or no interventions</i>	4,459
2. New FÁS Clients	14,590
<i>Of which - Interventions (treatment group)</i>	7,721
<i>- No interventions</i>	6,869
Sample Including Old Clients With Historic Light Interventions:	19,049
1. Exclude individuals with interventions after week 45 from treatment group	875
2. Remove individuals with history of LT unemployment	2,575
3. Remove re-entrants to Live Register from sample	3,954
4. Remove un-recorded closures	311
Final NEAP Sample:	11,334 (6,649)
1. Treatment Group	4,963 (4,034)
2. Control Group I: New clients – Untreated	4,755 (1,521)
3. Control Group II: Old clients with historic light or no interventions	1,616 (1,094)

Chapter 4

Descriptive Analysis

Tables 4.1 through to 4.4 provide a comparison of the Treatment and the two Control Groups (I and II) on the basis of a number of key human capital, labour market and geographical attributes. The descriptives are predominately based on the information collected by the DSP for the development of a statistical profiling model for Ireland, which is contained in the DSP's profiling database discussed in

TABLE 4.1: Personal Characteristics Information (20 Week Duration on the Live Register)

	Total Sample (%)	Treatment Group (%)	Control Group I (%)	Control Group II (%)
Gender:				
Male	60.3	58.7	57.3	70.2
Female	39.7	41.3	42.7	29.8
Age:				
Age 18-24	25.4	26.6	29.8	13.3
Age 25-34	29.4	26.5	26.7	44.4
Age 35-44	21.1	22.7	15.5	23.2
Age 45-54	13.9	14.8	11.3	14.4
Age 55 Plus	10.2	9.4	16.7	4.7
Marital Status:				
Single	54.6	52.6	54.7	61.8
Married	32.2	34.4	31.7	24.6
Cohabits	4.8	4.8	5.0	5.1
Separated/Divorced	7.4	7.1	7.5	8.0
Widowed	0.7	0.7	1.1	0.5
Children	25.2	26.3	21.9	23.3
Perceived Health Status:				
Very Good Health	56.0	56.4	57.2	53.0
Good Health	36.2	35.9	35.0	37.7
Fair Health	6.8	6.8	6.6	7.9
Bad/Very Bad Health	1.0	0.9	1.2	1.4
Education/Training:				
Primary or Less	13.4	13.0	13.1	15.0
Junior Certificate	26.8	25.7	24.8	34.0
Leaving Certificate	33.7	34.0	35.3	30.2
Third-level	26.1	27.3	26.8	20.8
Literacy/Numeracy Problems	7.7	8.2	6.4	7.5
English Proficiency	3.8	4.6	3.5	1.7
Apprenticeship	13.9	12.9	13.8	17.4
Transportation:				
Own Transport	55.0	54.4	58.7	52.4
Public Transport	74.0	74.6	71.8	75.0

Source: Department of Social Protection, Integrated Short-Term Scheme (ISTS) and Profiling Questionnaire.

Section 3.⁵⁹ The descriptives are generated from the samples after the 20 week duration restriction has been applied, on the grounds that our multivariate models will be estimated using these sub-groupings.

Regarding personal characteristics related to age, education, marital status and health (Table 4.1), while the Treatment Group was broadly similar to Control Group I,⁶⁰ some more substantial differences were apparent with respect to Control Group II. Specifically, relative to the Treatment Group, individuals in Control Group II were much more likely to be male, aged 25 to 34, single, have a Junior Certificate or lower education qualification and hold apprenticeships (Table 4.1). The lack of any obvious substantial differences between the Treatment Group and Control Group I suggests that the processes driving qualifying individuals' exclusion from the NEAP process were largely random in nature, at least in respect to observable key personal and human capital attributes.

Relative to both control groups, the Treatment Group were more likely to be in receipt of the contribution-based Jobseeker's Benefit (JB), demonstrating that they had a more substantial recent level of labour market attachment, with this particularly the case with respect to Control Group II (Table 4.2).

TABLE 4.2: Unemployment Benefit and Spousal Earnings Information (20 Weeks Duration on the Live Register)

	Total Sample (%)	Treatment Group (%)	Control Group I (%)	Control Group II (%)
Unemployment Benefit:				
Jobseeker's Allowance (JA)	41.7	39.2	42.3	50.1
Jobseeker's Benefit (JB)	58.3	60.8	57.7	49.9
Weekly Spousal Earnings:				
Less €251.00	3.5	3.4	4.0	3.4
€251.00 - €350.00	0.1	0.6	0.2	0.2
€351.00 and Above	15.8	18.1	13.6	10.4
No Spousal Earnings	80.6	77.9	82.2	86.0

Source: Department of Social Protection, Integrated Short-Term Scheme (ISTS).

Despite the finding that the Treatment Group were more likely to be in receipt of JB, they were no more likely to be employed within the previous month or year (Table 4.2). This finding suggests that their increased access to JB related to a

⁵⁹ For more details on this statistical profiling model, see O'Connell *et al.* (2009).

⁶⁰ The only notable differences between the Treatment Group and Control Group I related to a slightly increased (lower) tendency to be single (have children) among Control Group I.

longer duration of PRSI contributions due to longer duration in previous employment, a fact also confirmed by Table 4.3 (lower segment).

TABLE 4.3: Employment and Job History Information (20 Weeks Duration on the Live Register)

	Total Sample (%)	Treatment Group (%)	Control Group I (%)	Control Group II (%)
Employment History:				
Still in Employment	5.1	2.5	12.6	4.8
Employed in Last Month	54.4	54.4	50.2	60.1
Employed in Last Year	23.1	24.3	21.1	21.2
Employed in Last 5 Years	7.3	7.2	6.2	9.0
Employed Over 6 Years Ago	2.2	2.3	1.7	2.2
Never Employed	7.9	9.3	8.2	2.7
Current/Previous Job Duration:				
Less than Month	4.7	4.4	5.0	5.5
1-6 Months	23.4	19.5	24.3	36.8
6-12 Months	13.1	11.8	11.9	19.7
1-2 Years	11.6	11.5	11.0	12.7
2 Years or More	37.9	42.4	39.0	19.7
Never Employed	9.3	10.4	8.8	11.1
Would Consider Moving for a Job	38.7	38.2	36.9	42.8

Source: Profiling Questionnaire.

Finally, in terms of geographical location, there was nothing to suggest any advantage of urban over rural locations (Table 4.4). Furthermore, there was no evidence of any large variations when the data was broken down by county. Thus, with respect to observable characteristics, the Treatment and Control Groups compare well, providing some preliminary evidence that selection bias is unlikely to be a major issue within the multivariate analysis.

We can get a preliminary feel for the extent to which the Treatment and Control Groups differ in terms of the probability of an employment exit prior to 12 months duration by plotting the Kaplan-Meier (KM) survival function for each grouping. The KM will plot the rate at which the proportions remaining on the Live Register decline as the length of duration increases. Clearly, as we restrict membership of each group to individuals with minimum unemployment duration of 20 weeks we observe no decline in the KM before that point (Figure 4.1). Similarly, as the failure event relates to an exit to employment at or before 52 weeks, the KM function is not shown after this point. The KM suggests that the Treatment Group have a similar pattern of exit to Control Group II. However, the Treatment Group appear considerably less likely to exit to employment when compared with Control Group I. This is confirmed by the fact that the percentage of claims closed to employment by the 12 month duration point stood at 41 per cent, 55 per cent and 41 per cent for the Treatment Group and Control Groups I and II respectively. Nevertheless, it would be incorrect to attach a lot of

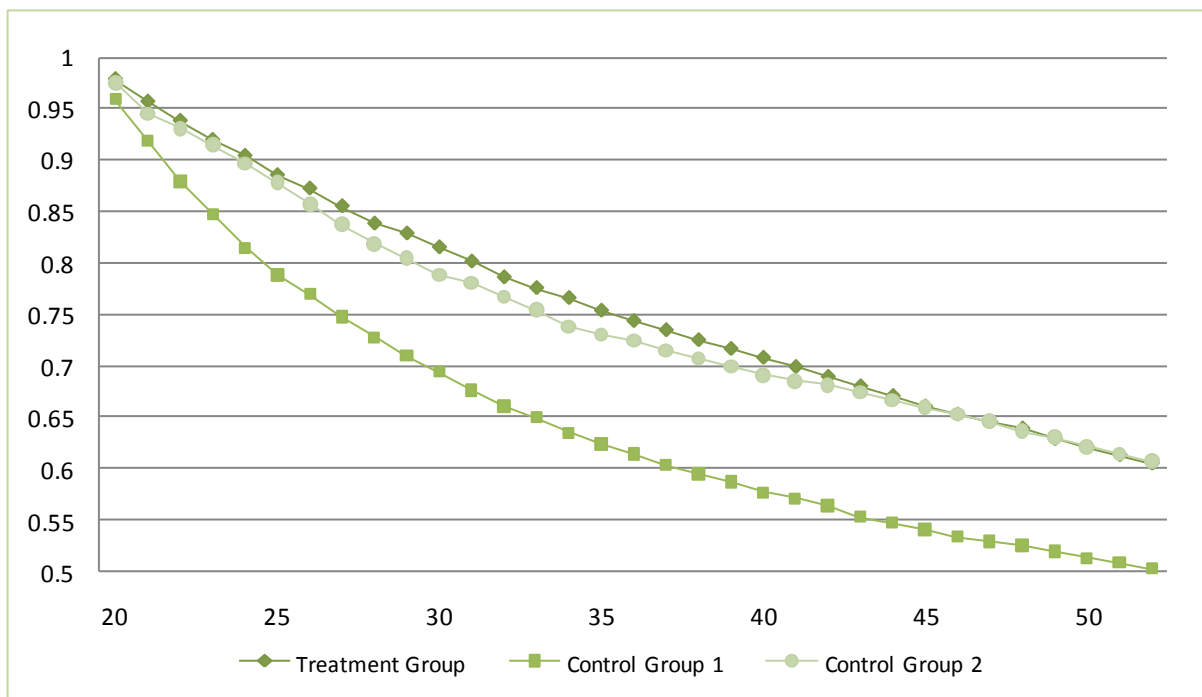
importance to such descriptive analysis as it fails to control for any observable differences in the characteristics of the Treatment and Control Groups that potentially influence the probability of an exit to employment.

TABLE 4.4: Location Information: (20 Weeks Duration on the Live Register)

	Total Sample (%)	Treatment Group (%)	Control Group I (%)	Control Group II (%)
Location Size:				
Rural	25.1	24.9	26.3	23.3
Village	12.8	12.5	13.6	12.9
Town	22.2	22.3	22.2	21.7
Large Town/City	39.9	40.3	36.9	42.1
Geographic Location:				
Carlow	1.2	0.9	1.7	1.7
Cavan	1.8	1.8	2.2	1.1
Clare	2.7	2.5	3.2	2.7
Cork	10.2	10.5	9.7	9.5
Donegal	5.8	6.4	3.9	6.5
Dublin	22.2	23.3	19.3	22.0
Galway	6.3	6.6	5.4	6.5
Kerry	5.2	4.2	6.3	7.6
Kildare	3.4	2.8	5.7	2.6
Kilkenny	1.2	1.0	1.7	1.6
Laois	1.7	1.4	2.4	1.9
Leitrim	0.6	0.7	0.4	0.7
Limerick	4.2	4.9	2.6	3.9
Longford	1.1	0.8	1.9	1.0
Louth	3.1	2.7	3.8	3.5
Mayo	3.1	3.4	2.2	3.1
Meath	2.8	2.0	5.0	2.8
Monaghan	1.4	1.6	1.2	0.9
Offaly	1.9	2.0	2.1	1.5
Roscommon	0.8	0.9	0.8	0.5
Sligo	1.6	1.8	1.2	1.5
Tipperary	3.6	3.8	3.6	3.3
Waterford	3.4	2.8	4.8	3.7
Westmeath	3.1	3.2	3.1	2.6
Wexford	3.9	3.9	3.6	4.5
Wicklow	3.4	4.1	2.1	2.5

Source: Department of Social Protection, Integrated Short-Term Scheme (ISTS) and Profiling Questionnaire.

FIGURE 4.1: Kaplan-Meier Survival Estimates



Chapter 5

Econometric Analysis of the Impact of the NEAP Referral and Interview Process

In this section of the report, we assess the extent to which individuals who were either referred or referred and interviewed under the NEAP have a significantly different probability of exiting to employment prior to the 12 month duration point relative to claimants who were not activated. This type of NEAP intervention is captured by the inclusion of a FÁS 'Referral plus Interview' dummy variable in our models. We also control for various other observable characteristics in our specifications that are known to influence the probability of exiting to employment; for example, educational attainment, age, previous unemployment history, marital status, etc. Within the context of our data, an individual is deemed to have exited to employment if they are recorded as having returned to work or have had their claims closed by the DSP as a consequence of a failure to sign on the Live Register.⁶¹ Approximately 70 per cent of the closures are recorded employment closures with the remaining 30 per cent due to a claimant's failure to sign on the Live Register for a sustained period. Our analysis of impact focuses only on those who exited to employment and drops those whose claims were closed for reasons unknown. Each individual within the three samples – Treatment Group and Control Groups I and II – has an unemployment duration of at least 20 weeks to ensure that they meet the minimum requirements for NEAP activation.

5.1 RESULTS

We report the results for three separate models in Table 5.1. Model 1 compares the Treatment Group with both Control Groups combined; Model 2 compares the Treatment Group with Control Group I, while Model 3 compares the Treatment Group with Control Group II. The estimated models are well specified and are in line with the results from the ESRI-DSP profiling study (O'Connell *et al.*, 2009).

The range of potential methodological approaches to the evaluation of ALMPs includes matching estimates, duration models, and difference-in-difference estimates (see Appendix Table A1). We opt for a matching based approach as it has several advantages: (i) it facilitates a more straightforward mechanism to

⁶¹ DSP confirmed our assumption that the bulk of such individuals are likely to have found employment.

account for sample selection bias; (ii) it allows us to easily test the sensitivity of our model to various cut-off points and unemployment durations; and (iii) it allows for the straightforward calculation of relevant marginal effects. The difference-in-difference estimator relies on a dataset in which we observe both a treatment and control group in two periods. In period one neither the treatment nor control group are activated while in period two the treatment group alone is activated. The treatment effect is determined by differencing the difference in exit rates between the two groups across both periods. In theory, the data at hand meets the basic requirements for estimation. However, as non-exit from the Live Register in period one is a necessary condition for treatment in period two, this implies that the method cannot be applied as there will be a zero rate of exits among the treatment group in period one. The duration model approach is rejected on the basis that it is difficult to derive meaningful marginal effects and simultaneously control for the effects of sample selection and unobserved heterogeneity. Nevertheless, as a robustness check, we generate an estimate of the treatment effect using a Cox Proportional Hazard Model.

The results from our initial probit model indicate that exit from the Live Register at or before the 52 week unemployment duration point was positively related to educational attainment, being male, having access to one's own transport, recent employment, a willingness to move for a job and low spousal income. On the other hand, the probability of an exit to employment was found to be negatively related to the existence of dependant children, literacy difficulties, increased age, relatively high spousal earnings and receipt of the non-contributory based Jobseeker's Allowance (JA). These results were consistent across all three specifications and align well with prior expectations and our previous research into unemployment profiling.

In relation to our variable of interest, which measures the impact of a NEAP referral plus interview, after controlling for all observables it was found that members of the Treatment Group were 9 per cent less likely to exit to employment prior to the 52 week point relative to the sample consisting of the combined Control Groups (Model 1). Model 2 revealed that, at 17 per cent, the level of disadvantage was highest relative to Control Group I. Compared to Control Group II (Model 3), the Treatment Group were approximately 1 per cent less likely to successfully find employment within a one year period. While small in magnitude, this difference was statistically significant at the 99 per cent confidence level. The initial results from the three probit models suggest that the referral plus interview component of the NEAP is ineffective in terms of achieving a successful re-entry to employment. The reason for this could be that NEAP participants learn, as a consequence of the process, that they are unlikely to face sanctions or substantial monitoring as a result of failure to obtain employment.

This could, in turn, lead to some reduction in job search intensity. The negligible impact relative to claimants with previous NEAP exposure seems consistent with this idea.

It is not the case that the referral and interview process itself generates interest in training opportunities, which then leads to an extended unemployment duration as individuals wait for an opening on their selected programme. This is because individuals interviewed who subsequently went on to receive FÁS training, or signed up to the CE scheme, were removed from both Control Group II and the Treatment group samples.⁶² Thus, the preliminary result suggests that initial activation measures, in the form of referrals plus interviews, are particularly ineffective in returning claimants to work. This leads us to suspect that a lack of effective monitoring and sanction mechanisms tied to insufficient job search requirements (or placement/training refusal) represents a substantial factor in the observed negative effect of referral plus interview process.

TABLE 5.1: Probit Model of Exit to Employment Prior to 12 Month Duration (Marginal Effects)

Variable	Model 1 Both Control Groups	Model 2 Control Group I	Model 3 Control Group II
NEAP Intervention:			
FÁS Referral plus Interview	-0.09*** (0.01)	-0.17*** (0.02)	-0.01*** (0.00)
Personal and Family Characteristics:			
Male	0.07*** (0.01)	0.09*** (0.02)	0.08*** (0.02)
Age Reference Category: Aged 18-24			
Age 25-34	-0.06*** (0.02)	0.00 (0.02)	-0.01 (0.03)
Age 35-44	-0.13*** (0.02)	-0.09*** (0.03)	-0.11*** (0.03)
Age 45-54	-0.09*** (0.02)	-0.06** (0.03)	-0.08*** (0.03)
Age 55+ Years	-0.23*** (0.02)	-0.23*** (0.03)	-0.20*** (0.03)
Health Reference Category: Bad/Very Bad Health			
Very Good Health	0.11 (0.07)	0.09 (0.08)	0.00 (0.10)

⁶² We also checked to ensure that our results were not influenced by individuals who were referred to FAS but failed to take up training places, as lock in effects might also be evident among such individuals. Our sensitivity checks confirmed that our results were completely unaffected by such influences.

TABLE 5.1: Probit Model of Exit to Employment Prior to 12 Month Duration (continued)

Variable	Model 1 Both Control Groups	Model 2 Control Group I	Model 3 Control Group II
Health Reference Category: Bad/Very Bad Health			
Good Health	0.06 (0.07)	0.05 (0.08)	-0.02 (0.10)
Fair Health	0.03 0.11	0.01 0.09	-0.05 0.00
Marital Status Reference Category: Single			
Married	-0.03 (0.02)	-0.05** (0.02)	-0.04 (0.03)
Cohabits	0.02 (0.05)	0.02 (0.06)	-0.01 (0.07)
Separated/Divorced	-0.04 (0.04)	-0.06 (0.05)	-0.04 (0.06)
Widowed	-0.01 (0.08)	-0.00 (0.08)	-0.06 (0.10)
Children	-0.05*** (0.01)	-0.04*** (0.01)	-0.04*** (0.01)
Weekly Spousal Earnings Reference Category: None			
Spouse Earnings €250	0.15*** (0.04)	0.14*** (0.04)	0.15*** (0.05)
Spouse Earnings €251-€350	0.06 (0.09)	0.11 (0.10)	0.13 (0.11)
Spouse Earnings €351 and Above	-0.07*** 0.15***	-0.06** 0.14***	-0.06* 0.15***
Human Capital Characteristics:			
Education Reference Category: Primary or Less			
Junior Certificate	0.01 (0.02)	0.01 (0.03)	0.03 (0.03)
Leaving Certificate	0.08*** (0.02)	0.10*** (0.03)	0.10*** (0.03)
Third-level	0.17*** (0.02)	0.16*** (0.03)	0.17*** (0.03)
Apprenticeship	0.02 (0.02)	0.01 (0.02)	0.02 (0.02)
Literacy/Numeracy Problems	-0.08*** (0.03)	-0.07** (0.03)	-0.07** (0.03)
English Proficiency	0.02 (0.04)	-0.01 (0.04)	0.02 (0.04)
Employment/Unemployment/Benefit History:			
Employment History Reference Category: Never Employed			
Still in Employment	0.01 (0.05)	-0.03 (0.06)	-0.04 (0.08)
Employed in Last Month	0.07 (0.05)	0.08 (0.05)	0.10* (0.06)
Employed in Last Year	0.05 (0.05)	0.07 (0.05)	0.08 (0.06)
Employed in Last 5 Years	-0.01 (0.05)	-0.02 (0.06)	0.00 (0.07)
Employed Over 6 Years Ago	-0.08 (0.06)	-0.11 (0.07)	-0.07 (0.08)
Job Duration Reference Category: Never Employed			
Job Duration Less than Month	0.10* (0.05)	0.12** (0.06)	0.08 (0.07)

TABLE 5.1: Probit Model of Exit to Employment Prior to 12 Month Duration (continued)

Variable	Model 1 Both Control Groups	Model 2 Control Group I	Model 3 Control Group II
Job Duration Reference Category: Never Employed			
Job Duration 1-6 Months	0.13*** (0.04)	0.17*** (0.05)	0.18*** (0.06)
Job Duration 6-12 Months	0.13*** (0.05)	0.15*** (0.05)	0.14** (0.06)
Job Duration 1-2 Years	0.12** (0.05)	0.16*** (0.05)	0.15** (0.06)
Job Duration 2+ Years	0.03 (0.04)	0.04 (0.05)	0.05 (0.06)
Would Move for a Job	0.05*** (0.01)	0.06*** (0.02)	0.05*** (0.02)
Social Welfare Payment Type Reference Category: Jobseeker's Benefit			
Jobseeker's Assistance	-0.20*** (0.02)	-0.18*** (0.02)	-0.15*** (0.02)
Geographic Location Information:			
Location Reference Category: Rural			
Village	-0.01 (0.02)	-0.00 (0.03)	-0.04 (0.03)
Town	-0.02 (0.02)	-0.00 (0.02)	0.02 (0.03)
Large Town/City	-0.03 (0.02)	-0.01 (0.02)	-0.01 (0.03)
Transportation:			
Own Transport	0.07*** (0.02)	0.07*** (0.02)	0.07*** (0.02)
Public Transport	-0.00 (0.02)	-0.01 (0.02)	-0.02 (0.02)
County Location Reference Category: Dublin			
Carlow	0.04 (0.06)	0.06 (0.07)	0.08 (0.09)
Cavan	-0.15*** (0.05)	-0.14*** (0.05)	-0.09 (0.06)
Clare	-0.07* (0.04)	-0.10** (0.04)	-0.02 (0.05)
Cork	-0.04 (0.02)	-0.04 (0.03)	-0.03 (0.03)
Donegal	-0.08*** (0.03)	-0.07** (0.03)	-0.05 (0.04)
Galway	-0.03 (0.03)	-0.01 (0.03)	-0.01 (0.04)
Kerry	-0.03 (0.03)	-0.02 (0.04)	-0.01 (0.04)
Kildare	-0.09** (0.04)	-0.09** (0.04)	-0.04 (0.05)
Kilkenny	0.01 (0.06)	-0.01 (0.07)	-0.01 (0.08)
Laois	-0.04 (0.05)	-0.01 (0.06)	-0.02 (0.07)
Leitrim	-0.13* (0.07)	-0.15* (0.08)	-0.18** (0.08)
Limerick	-0.05 (0.03)	-0.06 (0.04)	-0.05 (0.04)
Longford	-0.14** (0.06)	-0.15** (0.06)	-0.06 (0.09)

TABLE 5.1: Probit Model of Exit to Employment Prior to 12 Month Duration (continued)

Variable	Model 1 Both Control Groups	Model 2 Control Group I	Model 3 Control Group II
County Location Reference Category: Dublin			
Louth	-0.00 (0.04)	-0.03 (0.04)	0.00 (0.05)
Mayo	-0.02 (0.04)	-0.04 (0.04)	-0.02 (0.05)
Meath	-0.01 (0.04)	-0.01 (0.05)	0.03 (0.06)
Monaghan	0.03 (0.06)	0.05 (0.06)	0.05 (0.07)
Offaly	-0.04 (0.05)	-0.03 (0.05)	-0.06 (0.06)
Roscommon	-0.14** (0.07)	-0.17** (0.07)	-0.13 (0.08)
Sligo	-0.14*** (0.05)	-0.16*** (0.05)	-0.17*** (0.06)
Tipperary	0.01 (0.04)	-0.01 (0.04)	0.02 (0.05)
Waterford	-0.05 (0.04)	-0.03 (0.04)	-0.07 (0.05)
Westmeath	-0.06 (0.04)	-0.06 (0.04)	-0.02 (0.05)
Wexford	-0.11*** (0.03)	-0.10** (0.04)	-0.11*** (0.04)
Wicklow	-0.07** (0.04)	-0.08** (0.04)	-0.07* (0.04)
Pseudo R ²	0.1017	0.1236	0.1143
LR Chi ²	925.31***	942.10***	622.65***
Observations	6,635	5,543	4,033

Note: Standard errors in parentheses.

* significant at 10 per cent; ** significant at 5 per cent; *** significant at 1 per cent.

5.2 THE IMPACT OF NOT ATTENDING THE ACTIVATION INTERVIEW

As noted above, our analysis measures the combined effects of referral (the point at which the claimant receives a letter calling them for interview)⁶³ plus activation interview. It is not possible to separate the impacts of both processes as they are too closely aligned in terms of time, which rules out the possibility of assessing the impact of referrals on closures separately.⁶⁴ According to our data, approximately 36 per cent of the Treatment Group failed to attend their first interview⁶⁵ and excluding this *referral but non-attendance* group from our data enables us to isolate the impacts of referral *plus interview*. When we do this, the estimated coefficient in the more restricted model fell from -8.9 to -10.5 per cent,

⁶³ While we do not know the exact timing of the letter, we approximate this with the date on which the claimant was referred by the DSP to FÁS.

⁶⁴ Typically the gap between referral and interview is three to four weeks.

⁶⁵ Approximately 25 per cent of this cohort was still present on the Live Register after 12 months duration.

suggesting that the presence of non-attendees in the data was of relatively minor importance with respect to the estimated impact of *referral plus interview*.

However, it could also be argued that by estimating a model based on claimants with durations of more than 20 weeks, we are potentially under-estimating the effect of the treatment on the grounds that a proportion of claimants will have been closed off the Live Register as a consequence of the perceived sanction threat associated with the referral process alone, with these exits taking place prior to the 20 week duration point. To account for this, we re-estimated our models with the revised restriction that individuals in both the treatment group and Control Group II had to have a minimum duration of 13 weeks⁶⁶ or more, while we maintain the 20 week restriction on Control Group I in order to guard against the possibility that individuals were not referred merely as a consequence of their claims closing before this event could take place.⁶⁷ It should be noted that these restrictions will tend to overstate the impact of the NEAP, as the rate of claim closure will tend to be more rapid in the period leading up to week 20 and all such observations are excluded for Control Group I. We again compare the estimates for *referral but non-attendance* and *referral plus interview* (Model 1) with a model for *referral plus interview* only (Model 2). The difference in the model coefficients will provide us with a measure of the extent to which the overall treatment effect was impacted as a consequence of accelerated exits immediately following referral i.e. the threat effect. The analysis demonstrated that the treatment coefficient fell from -5.3 in Model 1 to -10.5 in Model 2. These sensitivity checks suggest that the referral process had some positive impact on exits, which served to lower the overall negative magnitude of interview plus referral by between 15 and 49 per cent. This suggests that the estimated negative impacts reported in the earlier tables would rise by a potentially substantial amount were the analysis restricted to the impact of being both referred and interviewed.

5.3 SENSITIVITY CHECKS

If assignment to the treatment group was in some way systematic, for example, if individuals with superior (inferior) human capital characteristics were more likely to be assigned to the treatment, then failure to take account of such non-random assignment would upwardly (downwardly) bias the estimated NEAP programme impact. Evaluation studies of this kind typically deal with this issue by employing a Propensity Score Matching (PSM) estimation framework in order to ensure that treated individuals are compared with members of the control group who hold similar observable characteristics. PSM involves a two stage process. In the first

⁶⁶ This is the minimum point at which an individual could expect a referral under the NEAP.

⁶⁷ This should not actually occur as all referrals should automatically take place at the week 13 point.

stage, the principal characteristics of the treatment group are identified using a probit model, and individuals in both the treatment and control groups are then assigned a “propensity score” based on their estimated probability of receiving the treatment (i.e. a referral or referral plus interview with FÁS), which is determined by their observable characteristics. In the second stage, individuals within the treatment group are “matched” with counterparts in the control group that have similar propensity scores and their actual outcomes (in this instance, actual exits to employment) are compared. It can be shown that matching individuals on the basis of propensity scores is equivalent to matching on actual characteristics (Rosenbaum and Ruben, 1983). Thus, PSM compares the employment probabilities of individuals being referred to an activation interview with FÁS with claimants who have similar characteristics, and thus a similar probability of being selected for FÁS interview, but who, for whatever reason, were not intervened with. This approach ensures that we are comparing like individuals and that our estimates are, therefore, unaffected by any non-random assignment into the treatment group.

There are a number of PSM algorithms that can be estimated and, while each has some obvious advantages and drawbacks, no one single method is generally considered to be superior. We estimate the impact of the treatment (i.e. referral or referral plus interview with FÁS) on the probability of an exit to employment using two of the most commonly adopted PSM algorithms: (i) Nearest Neighbour with replacement (NN) and (ii) Kernel.

In the Stage 1 probit, we find that the factors that raise an individual’s probability of being referred for interview are being aged below 25, a graduate, having difficulties in English proficiency (potentially immigrants), reporting good health, being in receipt of JB (which indicates being recently employed), having a high earning spouse and not having access to one’s own transport. Some geographic differences were also found.⁶⁸ Intuitively, the probit model makes sense, given that the rule restricting access to the NEAP for a second occasion will tend to skew the profile towards younger first time claimants.

The results from the Stage 2 procedure are reported in Table 5.2 and are very much consistent with those reported in the earlier probit model (Table 5.1). This outcome suggests that, consistent with the descriptive analysis, sample selection is not an important factor in this study. Nevertheless, we should not take these results as final without conducting some integrity checks to ensure that the data were sufficient to ensure that individuals within the Treatment Group were,

⁶⁸ Results available from the authors on request.

indeed, matched with Control Group counterparts holding similar characteristics i.e. that our data is balanced.⁶⁹ The diagnostics indicate that Model 1 was perfectly balanced under both the Nearest Neighbour and Kernel⁷⁰ approaches, while Model 2 was perfectly balanced under the Kernel. While the post balancing tests did not generate a wholly insignificant result for Model 3, the pseudo R² statistic fell from 0.149 to 0.013 under the Kernel estimate, indicating that any remaining differences between the treated and control group populations within the matched sample were minimal.

TABLE 5.2: PSM Estimates of Treatment Effect

	FÁS Referral plus Interview (Nearest Neighbour)	FÁS Referral plus Interview (Kernel)
Control Group I & II (Model 1)	-0.094 (0.018)***	-0.091 (0.014)***
Control Group I (Model 2)	-0.153 (0.022)***	-0.162 (0.017)***
Control Group II (Model 3)	-0.008 (0.031)	-0.005 (0.023)

While, on average, the FÁS activation interview takes place on the seventeenth week of the claim, with referral typically taking place a week or two earlier, we must be mindful of the possibility that many of our Control Groups might have been subsequently referred or interviewed but merely dropped out of the Live Register at a point before this was arranged. For instance, of those who were interviewed, approximately 72 per cent met with FÁS before 20 weeks of their claim had elapsed. Therefore, on the grounds that over a quarter received interviews after the 20 week point, we cannot be certain that a similar portion of our Control Groups would not have subsequently been activated. However, this is likely to be an overestimate as our validation checks indicate that the individuals within Control Group I did not receive an automatic referral to FÁS and were, therefore, unlikely to ever receive a referral having been missed by the system on its original sweep. Nevertheless, some sensitivity checks are still important to ensure that this was the case. As we raise the weekly threshold from 20 to 25 and 30 weeks, we find that the proportion of interviews taking place beyond these points fell to 19 and 11 per cent respectively. Therefore, even ignoring the findings of the validation process, by setting thresholds of 25 and 30 weeks we can rule out the possibility that any substantial proportion of our Control Groups will have subsequently been activated. In addition to this, we must be mindful of the fact that moving the threshold upward may also result in some overestimation of the treatment effect if higher proportions of the Control Groups, who would not subsequently have been interviewed, left after week 20.

⁶⁹ Specifically, this test involves re-running the Stage 1 treatment model on a sample consisting of the treated and matched individuals. On the basis that both sets of individuals should share all, or most, characteristics, no differences should be apparent and the probit model should be at, or close to, statistical significance with the pseudo R² statistic also close to zero.

⁷⁰ On the grounds that the chi square statistic of the probit estimated within the matched sample was insignificant.

The re-estimated models that take this issue into account are presented in Tables 5.3 and 5.4 respectively. While the marginal effects fall somewhat, the treatment effect still has a substantial negative impact both with respect to the overall sample and Control Group I, with the overall sample result driven by an exit rate substantially lower than that of Control Group I. Consistent with our earlier models, we find no substantial impact relative to Control Group II when the duration limit is extended to 25 and 30 weeks respectively. In all instances, we find that the results from our PSM estimates are broadly in line with those of a naïve probit model (Section 5.1), which confirm that sample selection is not an issue within the data used in this study.

TABLE 5.3: Estimates of Treatment Effect: 25 Week Duration Cut-off

	FÁS Referral plus Interview (Probit)	FÁS Referral plus Interview (Nearest Neighbour)	FÁS Referral plus Interview (Kernel)
Control Group I/ II (Model 1)	-0.054 (0.014)***	-0.076 (0.019)***	-0.061 (0.015)***
Control Group I (Model 2)	-0.119 (0.018)***	-0.140 (0.025)***	-0.118 (0.019)***
Control Group II (Model 3)	-0.004 (0.001)***	0.015 (0.034)	0.002 (0.024)

TABLE 5.4: Estimates of Treatment Effect: 30 Week Duration Cut-off

	FÁS Referral plus Interview (Probit)	FÁS Referral plus Interview (Nearest Neighbour)	FÁS Referral plus Interview (Kernel)
Control Group I/ II (Model 1)	-0.031 (0.014)**	-0.056 (0.020)***	-0.041 (0.015)***
Control Group I (Model 2)	-0.087 (0.019)***	-0.095 (0.025)***	-0.093 (0.020)***
Control Group II (Model 3)	-0.001 (0.001)*	-0.005 (0.033)	0.0001 (0.003)

A further possible risk factor relates to the end point time-frame. Specifically, it may be that the full effect of the referral plus interview process will not be apparent at the 12 month point in the data. To guard against the possibility of delayed impacts, we re-estimate the models to consider the effect of the treatment on the probability of an exit to employment at both 15 and 18 month time points. With respect to the cut-off points for interventions, these increase to week 52 and 64 respectively. The results are reported in Tables 5.5 and 5.6. The overall pattern of results remains unchanged; however, some movement is observed with respect to the magnitude of the negative marginal effects associated with a FÁS referral plus interview. Relative to the 12 month model, the negative impact of the treatment, relative to both the combined control groups and Control Group I, falls back somewhat in the 15 month model before returning close to their original levels in the 21-month model. The 15 and 21 month model results tend to reinforce the hypothesis that claimants' who have participated in the NEAP referral and interview process subsequently relax their job search activity as a consequence of interacting with FÁS, as it is difficult to envisage any plausible alternative explanation that would persist over a 21 month observation

period. The results of all the sensitivity checks confirm our conclusion that the activation interview component of the NEAP actively reduces the probability of a successful exit to employment relative to a control group of individuals with no previous NEAP who meet the qualifying criteria for labour market intervention. When compared to individuals who participated in an activation interview during a previous unemployment spell that took place more than two years prior to the current study, current participants experiencing referrals or referrals plus interviews fared no better. This is of particular concern as many in the Treatment Group and Control Group II will have received similar employment advice, albeit some time apart. Furthermore, the Treatment Group will also have had FÁS placement services available to them.

TABLE 5.5: Probit and PSM Estimates of Treatment Effect: 15 Months

	FÁS Referral plus Interview (Probit)	FÁS Referral plus Interview (Nearest Neighbour)	FÁS Referral plus Interview (Kernel)
Control Group I/ II (Model 1)	-0.062 (0.014)***	-0.081 (0.019)***	-0.067 (0.015)***
Control Group I (Model 2)	-0.144 (0.017)***	-0.168 (0.023)***	-0.140 (0.018)***
Control Group II (Model 3)	-0.007 (0.001)***	0.003 (0.033)	0.021 (0.025)

TABLE 5.6: Probit and PSM Estimates of Treatment Effect: 21 Months

	FÁS Referral plus Interview (Probit)	FÁS Referral plus Interview (Nearest Neighbour)	FÁS Referral plus Interview (Kernel)
Control Group I/ II (Model 1)	-0.088 (0.014)***	-0.084 (0.019)***	-0.084 (0.014)***
Control Group I (Model 2)	-0.182 (0.016)***	-0.157 (0.021)***	-0.164 (0.016)***
Control Group II (Model 3)	-0.005 (0.001)***	0.011 (0.033)	0.017 (0.025)

5.4 UNOBSERVED HETEROGENEITY

PSM analysis is underpinned by a strong assumption of unconfoundedness, whereby it is assumed that we observe all variables that influence both the outcome and treatment effects. While we possess a very detailed dataset, it is not unreasonable to state that our results may still be prone to bias as a consequence of some unobserved factor that simultaneously influences both the outcome variable and assignment to the treatment. However, it must also be stated that, given the apparently arbitrary criteria for allocation to the Treatment and Control Groups, no obvious confounding influences are apparent. Nevertheless, as an additional check against the effects of unobserved heterogeneity bias, we test the sensitivity of our PSM estimates to unobserved factors using the MHBOUNDS procedure in STATA.⁷¹ The intuition here is that we introduce an unobserved factor that simultaneously reduces the likelihood of an

⁷¹ The analysis conducted in this study was undertaken using a statistical package called STATA, and MHBOUNDS is a procedure within STATA designed to deal with the issue of unobserved heterogeneity.

exit to employment and increases the likelihood of allocation to the Treatment Group (termed negative selection bias) by 10 per cent to assess if our estimated treatment effect remains statistically reliable. Thus, the approach measures the sensitivity of our estimates to unobserved confounding influences. The analysis reveals that our Nearest Neighbour with replacement (NN) PSM estimate for the combined sample will become statistically unreliable in the presence of an unobserved confounding factor that simultaneously decreases the likelihood of exit and increases the likelihood of allocation to the treatment group by 35 per cent. The NN treatment estimate for Control Group I would require the presence of negative selection bias that increased the likelihood of treatment by 175 per cent before our estimate becomes questionable. Therefore, while we cannot rule out the presence of unobserved heterogeneity we can conclude that such impacts would need to be particularly strong in order to cast doubt on our estimated treatment effects.

Chapter 6

Econometric Assessment of the Impact of Training under the NEAP

Within the data we can identify if, and when, individuals exited the Live Register to take up a place on: (i) the Community Employment (CE) scheme or (ii) a FÁS training course. Within the evaluation of the referral plus interview component of the NEAP (Section 5), these individuals were excluded from the samples; however, in this section of the report such individuals now represent the core Treatment Group. In order to evaluate the impact of training, we utilise data spanning the entire period over which the profiling database individuals were tracked, which was September 2006 up to June 2008. After our initial exclusions (see Table 3.1), we are left with a sample of 27,328. Of this sample, 9,817 received activation referrals or interviews and referrals during the study period, 534 individuals closed to the CE scheme and 1,505 closed to FÁS training courses. FÁS training courses typically last less than six months, so we restrict our treatment group to individuals who exited the Live Register for such a programme prior to week 35, thereby allowing adequate time for individuals failing to secure employment to have re-entered the Live Register. Given our data restrictions, we are unable to assess the medium or long-term effects of training. However, from a public policy perspective, whereby the objective of the training strategy is to achieve an immediate reduction in unemployment, the short-run effects are clearly important.

With respect to the CE programme, we have information on 534 participants; however, individuals generally do not enter the CE programme until, on average, week 45. Thus, the longitudinal aspect of our data is insufficient to allow an assessment of the CE scheme's impact on employment. An alternative strategy might be to restrict the treatment group to 113 individuals signing on the CE programme prior to week 35, although this would raise concerns about deriving results from a very small sample. Of greater concern, however, is that participation in CE scheme is often extended beyond the one year point.⁷² This would cast serious doubts over the robustness of an evaluation that only tracked people for up to 56 weeks after entry to the programme. Nevertheless, there exists some previous research that allows us to draw some conclusions regarding the potential effectiveness of the CE scheme. Using the DSP's profiling database,

⁷² See footnote 1.

which is also used in the present study, O'Connell *et al.* (2009) reported that individuals who participated in the CE scheme tended to have extended unemployment durations, suggesting that the programme is relatively unsuccessful in terms of breaking the pattern of LT unemployment for individuals re-entering the Live Register. Of course, it could be the case that the primary impact of the CE programme is felt through higher exit rates from the Live Register. However, previous research suggests that this is, in fact, not the case: Denny *et al.* (2000) report that CE participants were less likely, relative to a control group, to find subsequent employment. Thus, both studies, when considered together, raise serious questions regarding the effectiveness of the CE scheme as an ALMP. These findings for this particular public sector job creation programme are in line with the findings from the international literature on public job creation schemes in general.

With respect to the evaluation of FÁS training courses, we again attempt to construct a number of control groups; however, the nature of our estimation strategy differs in a number of important ways from that adopted when assessing the impacts of the NEAP referral and interview processes. Firstly, we must allow for the possibility that unsuccessful FÁS trainees will make a new claim for unemployment assistance; thus, we no longer exclude such re-entrants from our sample. Furthermore, due to the fact that we are interested in the extent to which FÁS trainees return to the Live Register (as opposed to exiting to employment) we no longer drop individuals from the sample whose claim closed for administrative or unexplained reasons. This allows for the possibility that the FÁS trainee may have re-registered temporarily on completing training and then, subsequently, had their claim closed for one reason or another. Thus, to reiterate, while we evaluate the NEAP referrals and interviews in terms of exits to employment at several points of time (12, 15 and 21 months), we evaluate the impact of training in terms of an absence from the Live Register at one point in time, specifically 21 months. Secondly, we exclude individuals signing off to FÁS training after week 35 from the analysis on the grounds that we cannot be confident that initial training and job search activities will be completed by week 91. Thirdly, individuals undertaking FÁS training courses may have received their initial interview prior to the commencement of the current study, therefore, our Treatment Group (and Control Groups) are no longer necessarily defined as new (or old) FÁS clients. Finally, in contrast to the evaluation of the NEAP referral and interview processes, when assessing the impact of training, we choose to analyse the Live Register at the latest available data point in order to reduce the impacts of lock-in effects. Van Ours (2001) points out that the observed impact of an ALMP will be the net of two countervailing effects, the first relates to the participant's increased employability through, in this case, additional training, while the second relates to a reduced employment probability as a consequence of reduced job search while undertaking the training programme. By observing an

individual's status at week 91, we allow for a sufficient period of time during which programme participants can complete their training and then engage in intense job search activity; thus, eradicating any potential bias emanating from lock-in effects.

Within our dataset, 1,505 individuals had their JB/JA claims closed as a consequence of enrolling on a FÁS training programme other than the CE scheme. On average, individuals closed to FÁS programmes at week 33 in the data. As was the case with the evaluation of the referral and interview I processes, we restrict our Control Groups to individuals with minimum unemployment duration of 20 weeks to ensure that everyone within the sample met the qualifying criteria for NEAP assistance. When we apply the restriction that the training intervention had to occur at or before week 35, our Treatment Group sample falls to 763.

As was the case previously, we again compare the impact of the treatment using two control groups. Control Group I consists of individuals who were either referred or referred and interviewed by FÁS but received no training and had unemployment durations of at least 20 weeks. This “referred or referred and interviewed” control group consists of 8,365 individuals, just fewer than 70 per cent of whom became NEAP clients for the first time during the course of the current study. Control Group II once more consists of those individuals with 20 weeks duration who, for whatever reason, were never referred to FÁS. The sample size of the “no intervention” control group is 2,490. Within both our control groups, we exclude individuals who exited to employment and then subsequently re-entered the Live Register; however, when we relax this assumption our results remain largely unchanged.

The results from our initial probit models are reported in Table 6.1. Consistent with our earlier models (Section 5), the probability of an exit from the Live Register by 21 months is positively related to a third-level education, possessing one's own transport, a willingness to move for a job, having a high earning spouse and a history of recent employment. The likelihood of a successful exit was lowered by the presence of dependant children, a history of LT unemployment and having problems with literacy/numeracy. Generally, the models are well specified; however, fewer significant impacts are observed when the Treatment Group is compared with the non-intervened control group (Model 3), suggesting some differences in terms of the observable characteristics of the two control samples. Most crucially, the results reveal that relative to both the combined control group sample and Control Group I, which consists of those who were either referred or referred and interviewed, respondents receiving FÁS training

were approximately 10 per cent more likely to be absent from the Live Register in June 2008 (i.e. week 91).

TABLE 6.1: Probit Model of Exit from the Live Register at 21 Months (Marginal Effects)

	Model 1 Control Group I & II	Model 2 Control Group I, Referral or Referral + Interview	Model 3 Control Group II, No Treatment
NEAP Intervention:			
FÁS Training	0.10*** (0.02)	0.11*** (0.02)	0.05* (0.03)
Personal and Family Characteristics:			
Male	-0.01 (0.01)	-0.01 (0.01)	-0.02 (0.02)
Age Reference Category: Aged 18-24			
Age 25-34	0.02 (0.01)	0.01 (0.02)	0.05** (0.03)
Age 35-44	0.00 (0.02)	-0.01 (0.02)	0.02 (0.03)
Age 45-54	-0.03 (0.02)	-0.05** (0.02)	-0.02 (0.04)
Age 55+ Years	-0.03 (0.02)	-0.07*** (0.03)	-0.01 (0.04)
Marital Status Reference Category: Single			
Married	0.03 (0.02)	0.03 (0.02)	0.04 (0.03)
Cohabits	-0.00 (0.04)	-0.03 (0.04)	0.06 (0.07)
Separated/Divorced	0.01 (0.03)	0.02 (0.03)	0.01 (0.06)
Widowed	0.16*** (0.05)	0.17** (0.07)	0.10 (0.08)
Children	-0.04*** (0.01)	-0.04*** (0.01)	-0.05*** (0.02)
Health Reference Category: Bad/Very Bad Health			
Very Good Health	-0.11** (0.04)	-0.13*** (0.05)	-0.06 (0.08)
Good Health	-0.12*** (0.04)	-0.15*** (0.05)	-0.06 (0.08)
Fair Health	-0.11** (0.05)	-0.14*** (0.05)	-0.04 (0.08)
Weekly Spousal Earnings Reference Category: None			
Spouse Earnings €250	0.11*** (0.03)	0.14*** (0.03)	0.05 (0.05)
Spouse Earnings €251-€350	0.07 (0.07)	0.11 (0.08)	-0.02 (0.16)
Spouse Earnings €351 and Above	0.07*** (0.02)	0.09*** (0.02)	0.01 (0.03)
Human Capital Characteristics:			
Education Reference Category: Primary or Less			
Junior Certificate	-0.01 (0.02)	-0.01 (0.02)	-0.03 (0.03)
Leaving Certificate	0.03 (0.02)	0.04* (0.02)	-0.00 (0.03)
Third-level	0.10*** (0.02)	0.12*** (0.02)	0.04 (0.03)

TABLE 6.1: Probit Model of Exit from the Live Register at 21 Months (continued)

	Model 1 Control Group I & II	Model 2 Control Group I, Referral or Referral + Interview	Model 3 Control Group II, No Treatment
Human Capital Characteristics:			
Apprenticeship	0.01 (0.01)	-0.01 (0.02)	0.02 (0.03)
Literacy/Numeracy Problems	-0.04** (0.02)	-0.04* (0.02)	-0.00 (0.04)
English Proficiency	0.00 (0.03)	-0.00 (0.03)	0.02 (0.05)
Employment/Unemployment/Benefit History:			
Employment History Reference Category: Never Employed			
Still in Employment	0.05 (0.04)	0.06 (0.05)	-0.04 (0.06)
Employed in Last Month	0.05 (0.03)	0.08** (0.04)	-0.04 (0.06)
Employed in Last Year	0.06** (0.03)	0.08** (0.03)	0.00 (0.06)
Employed in Last 5 Years	0.02 (0.03)	0.05 (0.04)	-0.03 (0.06)
Employed Over 6 Years Ago	-0.04 (0.04)	0.01 (0.04)	-0.11 (0.08)
Job Duration Reference Category: Never Employed			
Job Duration Less than Month	-0.02 (0.03)	-0.02 (0.04)	0.00 (0.06)
Job Duration 1-6 Months	0.03 (0.03)	0.02 (0.03)	0.09* (0.05)
Job Duration 6-12 Months	0.05* (0.03)	0.01 (0.03)	0.17*** (0.05)
Job Duration 1-2 Years	0.03 (0.03)	0.02 (0.03)	0.06 (0.06)
Job Duration 2+ Years	0.03 (0.03)	0.02 (0.03)	0.08 (0.05)
Would Move for a Job	0.02** (0.01)	0.04*** (0.01)	-0.02 (0.02)
Social Welfare Payment Type Reference Category: Jobseeker's Benefit			
Jobseeker's Assistance	-0.15*** (0.01)	-0.17*** (0.01)	-0.09*** (0.02)
Signing on for 12 Months+	-0.07*** (0.02)	-0.07*** (0.02)	-0.07** (0.04)
Geographic Location Information:			
Location Reference Category: Rural			
Village	0.01 (0.02)	0.01 (0.02)	-0.01 (0.03)
Town	0.00 (0.02)	0.01 (0.02)	-0.04 (0.03)
Large Town/City	-0.01 (0.02)	-0.01 (0.02)	-0.04 (0.03)
Transportation:			
Own Transport	0.04*** (0.01)	0.03*** (0.01)	0.06*** (0.02)
Public Transport	0.00 (0.01)	-0.00 (0.02)	0.06** (0.03)

TABLE 6.1: Probit Model of Exit from the Live Register at 21 Months (continued)

	Model 1 Control Group I & II	Model 2 Control Group I, Referral or Referral + Interview	Model 3 Control Group II, No Treatment
Geographic Location Information:			
County Location Reference Category: Dublin			
Carlow	-0.06 (0.05)	-0.01 (0.06)	-0.14* (0.08)
Cavan	-0.07* (0.04)	-0.09* (0.05)	-0.04 (0.07)
Clare	-0.06* (0.03)	-0.05 (0.04)	-0.05 (0.06)
Cork	0.01 (0.02)	0.02 (0.02)	-0.01 (0.04)
Donegal	-0.04 (0.02)	-0.04 (0.03)	0.00 (0.04)
Galway	0.02 (0.02)	0.01 (0.03)	0.08* (0.04)
Kerry	-0.02 (0.02)	-0.04 (0.03)	0.02 (0.04)
Kildare	-0.03 (0.03)	-0.05 (0.04)	-0.03 (0.05)
Kilkenny	-0.00 (0.04)	-0.01 (0.06)	0.02 (0.07)
Laois	0.02 (0.04)	0.00 (0.05)	0.05 (0.06)
Leitrim	-0.12** (0.06)	-0.09 (0.07)	-0.09 (0.12)
Limerick	-0.02 (0.03)	-0.02 (0.03)	-0.02 (0.06)
Longford	-0.08 (0.05)	-0.08 (0.06)	-0.08 (0.09)
Louth	-0.02 (0.03)	-0.01 (0.03)	-0.09* (0.05)
Mayo	-0.02 (0.03)	-0.01 (0.03)	-0.01 (0.06)
Meath	0.06 (0.03)	0.12*** (0.04)	-0.03 (0.05)
Monaghan	0.01 (0.04)	-0.00 (0.05)	-0.01 (0.08)
Offaly	-0.01 (0.04)	0.01 (0.04)	-0.05 (0.07)
Roscommon	-0.05 (0.05)	-0.12* (0.06)	0.06 (0.07)
Sligo	-0.11*** (0.04)	-0.11** (0.04)	-0.11 (0.08)
Tipperary	-0.08*** (0.03)	-0.08*** (0.03)	-0.10** (0.05)
Waterford	-0.03 (0.03)	-0.02 (0.03)	-0.04 (0.05)
Westmeath	-0.03 (0.03)	-0.01 (0.04)	-0.08 (0.06)
Wexford	-0.07** (0.03)	-0.05* (0.03)	-0.08 (0.05)
Wicklow	-0.06** (0.03)	-0.07** (0.03)	-0.02 (0.06)
Prior FÁS Client [†]	-0.08*** (0.01)	-0.06*** (0.01)	-0.06 (0.04)
Observations	11,502	9,040	3,205

Note: Standard errors in parentheses.

* significant at 10 per cent; ** significant at 5 per cent; *** significant at 1 per cent.

[†] Indicates that the respondent was a FÁS client previous to the current study period.

However, the treatment effect, while positive, is barely significant relative to the no-intervention Control Group II. Nevertheless, we must bear in mind that the Treatment Group were also exposed to a potentially negative NEAP referral plus interview effect and that the total treatment effect will be the net impact of NEAP referral plus interview plus FÁS training. Given the observed negative impact of the NEAP referral plus interview, a zero or weakly positive training coefficient in the model containing the no-intervention control group also implies a strong positive impact of FÁS training on employability.

It is not feasible to estimate a comparable duration model in this instance as the unemployment durations of individuals closed to FÁS training courses will, by definition, be shorter than those of the Control Groups in the event that they return to the Live Register. As was the case with the evaluation of the NEAP referral and interview processes, a difference-in-difference approach is again ruled out on the grounds that eligibility for training assistance will be inextricably linked to an unbroken period of unemployment prior to claimant receiving support. However, we again estimate our models using PSM techniques to ensure that our estimates were not affected by sample selection bias. The Stage 1 probit models confirmed the view that our two Control Groups were different in many respects. Relative to the referral plus interview control group (Control Group I), the treatment cohort were more likely to be female, educated to above primary level, aged below 25 and had not been previously employed. Compared to the non-intervened control group (Control Group II), the treatment sample were more likely to be female, aged 35 to 54, hold a Leaving Cert qualification, live in a city and not have been previously employed.⁷³ The results from the second stage PSM are presented in Table 6.2 and tend to confirm both the robustness of the positive impacts detected under the naïve probit model (Table 6.1) and the absence of substantial selection effects. Post estimation tests reveal that the data used for all PSM estimates is well balanced.

TABLE 6.2: Probit and PSM Estimates of the Impact of Training

	FÁS Training (Probit)	FÁS Training (Nearest Neighbour)	FÁS Training (Kernel)
Both Control Groups (Model 1)	0.100 (0.019)***	0.105 (0.027)***	0.077 (0.019)***
Referral or referral + interview (Model 2)	0.110 (0.019)***	0.113 (0.027)***	0.094 (0.019)***
No Treatment (Model 3)	0.049 (0.026)*	0.048 (0.034)	0.030 (0.026)

Another sensitivity test relates to the possible inclusion of individuals requesting training assistance from FÁS within the treatment sample. If an individual receives training as part of the NEAP programme we would generally observe an interview referral from DSP prior to the claim being closed for training purposes.

⁷³ Results available from the authors on request.

However, it is also possible that individuals eligible for NEAP can voluntarily enter a FÁS office on being made redundant and request training assistance. It is likely that such “walk-ins” possess certain unobserved attributes, such as motivation and commitment to job search, which may upwardly bias the estimated treatment effect. Within our treatment sample we do not observe prior interviews for 130 (21 per cent) individuals and while this may be a consequence of administrative error, we consequently exclude these individuals from the sample on the grounds that they may relate to “walk-ins”. When the models are re-estimated to include a treatment sample who were observed to have been interviewed, as expected, the marginal effects of the treatment generally decline somewhat. Nevertheless, our overall conclusions regarding the effectiveness of FÁS training stand (Table 6.3).

With respect to our checks for unobserved heterogeneity, the results indicate that we should be somewhat more guarded with respect to the robustness of our estimates to unobserved effects. Our analysis revealed that our estimate regarding the impact of training relative to the sample containing both Control Groups would become insignificant in the presence of any positive selection bias that increases the likelihood of a closure among the Treatment Group by a factor of 15 per cent. The results with respect to the referral plus interview Control Group I are relatively more reliable as they are robust to the effects of positive selection up to a level of 45 per cent.

TABLE 6.3: Probit and PSM Estimates of the Impact of Training: Excluding Possible Walk-ins

	FÁS Training (Probit)	FÁS Training (Nearest Neighbour)	FÁS Training (Kernel)
Both Control Groups (Model 1)	0.077 (0.022)***	0.082 (0.031)***	0.048 (0.022)***
Referral or referral + interview (Model 2)	0.087 (0.022)***	0.135 (0.030)***	0.067 (0.022)***
No Treatment (Model 3)	-0.004 (0.031)	0.031 (0.038)	-0.006 (0.029)

Chapter 7

Summary and Conclusions

Since early 2008 there has been a severe deterioration in the Irish economy, which has had knock-on implications for the labour market. Unemployment increased from around 4.5 per cent at the end of 2007 to over 13 per cent in 2010. Given the scale of the problems currently facing the Irish economy, the level of unemployment is likely to remain high over the medium term. In this context, it is particularly important to implement effective activation measures to assist and encourage jobseekers to remain active in the labour market and/or to increase their employability and to avoid long-term unemployment. Prevention of long-term unemployment is important from both economic and social perspectives. Many of those who become long-term unemployed suffer particular labour market disadvantages, such as skill erosion and scarring, leading to difficulty in re-entering employment. In addition, long-term unemployed individuals are more likely to suffer from social exclusion and poor health. From the perspective of the wider economy, long-term unemployment entails substantial financial costs in both welfare payments and lost revenue, as well as in lost production.

Using a unique dataset constructed by merging longitudinal information from the Live Register, augmented by data from a specially designed questionnaire and the customer event files provided by FÁS, Ireland's national employment and training agency, we sought to evaluate the impact of the National Employment Action Plan (NEAP). We examine the impact of two elements of the NEAP: (1) The impacts of both referral by the DSP to FÁS and the activation interview on the probability of subsequently becoming employed; and (2) Among those who were offered and accepted FÁS training following an activation interview, the impact of participation in a programme participation on the probability of subsequently exiting the Live Register. The Live Register administrative data were recorded from September 2006 to July 2008, so the evaluation refers to the effects of the NEAP over that time period.

The work was commissioned by the DSP who also provided the data used in the analysis. With respect to the NEAP programme, commentators have recently raised concerns with respect to the lack of sanctions associated with failure to engage adequately in job search and the lack of an integrated benefit and public employment service (Grubb *et al.*, 2009). Some concerns have also been raised

with respect to the community-based employment programme i.e. the CE scheme (Grubb *et al.*, 2009; O’Connell *et al.*, 2009). The aim of this evaluation is to provide solid evidence on the effectiveness of two strands of the NEAP in enabling claimants to re-enter the labour market, specifically the FÁS referral and interview processes and training programmes.

The first issue that became apparent in undertaking this study is that a large group of individuals who were eligible for NEAP assistance were somehow falling outside the activation net. While this provided an unusual opportunity to construct a control group to facilitate the rigorous analysis of the impact of two components of the NEAP – FÁS activation referral plus interview and training – it also implies that, potentially, over 25 per cent of qualifying claimants were not inducted into the NEAP process. It is unlikely that such a substantial omission would prevail had there been sufficient system-integration between the DSP income maintenance and FÁS labour market integration functions. The finding lends further support to the potential benefits of integrated income maintenance and labour market activation, as has been advocated by the OECD for the last decade or so (Martin, 2000). Such an integrated approach is now being implemented following the recent re-organisation of Government departments providing services to the unemployed.

Under the NEAP, current claimants of Jobseeker’s Benefit (JB) and Jobseeker’s Allowance (JA) who had a previous spell of unemployment and received an intervention at that time, were not considered eligible for a NEAP intervention in their current spell. This represents an additional substantial group of jobseekers, in excess of 25 per cent of new claimants, that was excluded from NEAP assistance. This practice of excluding those with a previous history of unemployment would appear to us to run counter to the underlying rationale of activation policies, which is to assist those most likely to encounter difficulties in the labour market to find work. Indeed, we would argue that individuals who have had previous unemployment spells, particularly those who experienced unemployment spells long enough to qualify for intervention under the NEAP – at least 3 months – are more likely to be particularly disadvantaged and to experience difficulty in finding employment in the current spell.

With respect to the FÁS activation referral plus interview component of the NEAP, we found that individuals who participated in this aspect of the process actually had a 17 per cent lower probability of exiting the Live Register to employment, both in the short and medium-term, compared to a control group of individuals who were not referred for a NEAP interview. Furthermore, when we compared current NEAP clients, who were either referred or interviewed and referred, with an alternative control group of clients who had been referred to a

NEAP interview in the past – during a previous unemployment spell – we found that the current NEAP group fared no better than those who had been referred some years previously. These findings hold when exits to employment at 12, 15 and 21 month time points are examined. The negative effect of referral plus interview may be the result of NEAP clients learning, as a consequence of the activation process, that they were unlikely to face monitoring or sanctions as a result of failure to search actively for, or obtain, employment, leading to some decline in job search intensity.

These results suggest the need for an overhaul of the existing activation process and point to the potential benefits of Ireland following best practice in most European countries by developing a fully compulsory job search assistance programme with effective monitoring and sanction mechanisms, governed by a principle of mutual obligations.

The findings with respect to shorter duration FÁS training programmes were positive. Compared to a control group of individuals, who were either referred or referred and interviewed, FÁS training participants, undertaking programmes prior to week 35 of the study, were less likely to be present on the Live Register at week 91. Programme participation was found to lower the probability of subsequent unemployment by between 10 and 14 per cent. With respect to the no-intervention control group, the impact of training plus activation interview was found to be either weakly positive or zero; however, when taking account of the established negative impacts of the FÁS referral plus interview, this again, points to a positive training effect.

While we did not have data to effectively evaluate the Community Employment (CE) scheme, the evidence from the profiling study, which was undertaken using the profiling dataset that is used in this present study of the NEAP, confirms that CE participants re-entering the Live Register are very likely to fall back into long-term unemployment (O'Connell *et al.*, 2009), while previous research finds that CE participants are less likely to obtain employment relative to a control group (O'Connell *et al.*, 2000). Taken together, the evidence points to the CE scheme being associated with lower employment rates which, in turn, suggests that many individuals then return to the Live Register after which they are likely to experience extended durations of unemployment. Such a conclusion is also in line with international evidence, which tends to support the view that public sector employment creation programmes are an ineffective form of ALMP. Therefore, as it stands, the CE scheme can be characterised as a revolving door to long-term unemployment, and from an employability perspective there would seem to be little grounds to support the continuation of such a programme.

Given the current economic climate, and the lack of job opportunities within the economy, this research suggests that it would be more appropriate at present to focus more heavily on the provision of suitable short-term training programmes for jobseekers in order to enhance their skills in those areas where there is likely to be job creation in the future. It is likely that more intensive activation measures would have limited impact in the current environment. However, the policy emphasis should be switched gradually from training to more stringent activation measures as the labour market begins to pick up and the unemployment rate returns to more normal levels.

In this context, the recent reorganisation of government departments with responsibility for unemployment should be regarded as a welcome opportunity. A number of important reforms have been implemented. From January 2010 the DSP is to take a greater role in providing activation services for the unemployed, as well as for its more traditional role in paying benefits. This is similar to the role adopted by social welfare authorities in other countries and consistent with the conclusions of the OECD report on the need to combine income support and activation policies in Ireland. In the context of that reorganisation, the DSP has implemented a new case management system based on the profiling system for the unemployed developed in collaboration between the Department and ESRI researchers.

The recent reorganisation of government departments with responsibility for unemployment should be regarded as a welcome opportunity and a potentially positive development. A number of important reforms have been implemented. Firstly, from January 2011 the DSP is to take a greater role in providing activation services for the unemployed, as well as for its more traditional role in paying benefits. This is similar to the role adopted by social welfare authorities in other countries and consistent with the conclusions of the OECD report on the need to combine income support and activation policies in Ireland. Secondly, we understand that, in the context of that reorganisation, the DSP has implemented a new case management system with a strong focus on activation, rather than just income support. Thirdly, the Social Welfare (Miscellaneous Provisions) Act 2010 provides for sanctions to be applied to unemployed persons on the Live Register unreasonably refusing to participate in training, education and employment offers by facilitators within the DSP. Fourthly, in November 2010 the DSP implemented a profiling system for the unemployed developed in collaboration between the Department and ESRI researchers. Profiling is a state-of-the-art statistically-based system for the early identification of those with high probability of becoming long-term unemployed, at the time they first become unemployed. It allows for a ranking of Jobseekers claimants according to their probability of long-term unemployment and provides the capacity to target

resources on those who need and can benefit from activation measures. Finally, the Department of Education and Skills (DES) is to take responsibility for education and training of the unemployed. A crucial issue in this reorganisation will be which department assumes control over services to the unemployed: we need to shift from a provider-driven system, as has been implemented by FÁS as well as other training and education bodies up to the present, to a system that puts the unemployed client at the centre and responds to his or her specific education or training needs. A strong case can be made for the DSP to act as the broker to acquire high quality, appropriate and effective education and training from the market on behalf of its clients.

Given the importance of this area of public policy, it is essential that the impact of these reforms should be systematically evaluated within a medium-term horizon to ensure that employment policies are effective in assisting the unemployed to return to work, and efficient in their use of scarce public resources.

More generally, while we could not address this issue within the context of the data, if it transpires that wages in the economy have been falling at a higher rate than welfare benefits, then this will lead to an increase in the replacement rate. In order to avoid the creation of unemployment traps, it is also likely to be necessary to develop an explicit integration of activation measures with the replacement rate through a mutual obligations approach, in which unemployed jobseekers who are supported financially by the community would actively seek work and strive to improve their competitiveness in the labour market

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Appendix

TABLE A1: Microeconomic Evaluations of Active Labour Market Programmes

Study	Programme Type	Target Group	Design	Observation Period	Outcomes Analysed	Methodology ⁷⁴	Results	Note
Australia:								
Breunig, Cobb-Clark, Dunlop and Terrill (2003)	JSA: Counselling, monitoring and job-search activities	Unemployment Benefit Recipients	Experimental	2000-2001	i) Employment, ii) Job search, iii) Study and Training, iv) Voluntary work and v) Social integration	Propensity Score Matching Techniques	Mixed results: No significant effect on employment, job search or voluntary work; Increase in study and training, and also in social participation.	The measure was targeted at individuals that had been on income support for 5 years or more; thus, individuals with large barriers to employment.
Belgium:								
Cockx and Dejemeppe (2007)	JSA: Monitoring of Job Search Notification	UI Benefit recipients (<30 years of age)	Non-experimental	2004-2005	Probability of Employment (8-month point)	Regression-Discontinuity Analysis	+ Evidence of threat effect for high educated workers only	Acceptance of low-quality jobs but this can be counteracted by appropriate timing of counselling.
Denmark:								
Jespersen, Munch and Skipper (2008)	i) Wage subsidy, ii) Public job programme, iii) Classroom training and iv) Residual programmes	UI Benefit recipients (18-50 years of age)	Non-experimental	1995-2005	i) Employment Rate and ii) Annual Earnings	Propensity Score Matching Techniques	+ Wage subsidy has both positive employment and earnings effects; In terms of employment, the residual programmes perform better than the public job programme and classroom training.	The residual programme category consists of i) Employment programmes, ii) Entrepreneurship subsidies, iii) Remedial education programmes and iv) Job-search assistance programmes. Negative lock-in effects identified for programmes with long durations.
Svarer (2007)	JSA: Job-search activity sanctions	UI Benefit recipients (aged 26 and above)	Non-experimental	2003-2005	Exit Rate from Unemployment	Timing-of-Events Duration Model	+ Sanctions have a positive impact on male and female exits from unemployment.	Harder sanctions have a larger effect.
Rosholm and Svarer (2004)	Threat Effect of Compulsory ALMP participation	UI Benefit recipients (males aged 25-59)	Non-experimental	1998-2002	Unemployment Duration	Timing-of-Events Model and Dependent Hazard Rate Model	+ Threat effect of ALMP participation reduces unemployment duration.	Sanctions are imposed if UI recipients do not participate in the active labour market programme that they are offered.

⁷⁴ In the literature, propensity score matching is also referred to as the 'matching estimator approach' or the 'matching methods approach'.

TABLE A1: Microeconometric Evaluations of Active Labour Market Programmes (continued)

Study	Programme Type	Target Group	Design	Observation Period	Outcomes Analysed	Methodology	Results	Note
Denmark:								
Rosholm and Skipper (2003)	Classroom Training Programmes (specifically, competence enhancing training for mainly unskilled workers)	Unemployed applicants for labour market training courses	Experimental	1994	Unemployment Rates	Endogenous Variables Model and Propensity Score Matching Techniques	- Training increases the subsequent unemployment rate of participants.	The unemployed workers included in the experiment had applied for participation in an AMU-programme, which is the name for the Danish system of labour market training programmes.
France:								
Crépon, Dejemeppe and Gurgand (2005)	JSA: Intensive counselling and job-search support	Registered Unemployed	Non-experimental	2001-2004	i) Transition from Unemployment to Employment; ii) Unemployment Recurrence	Duration Models	+ Positive effect on the transition rate from unemployment; + positive effect on employment duration.	Job-search support had the strongest effects on both unemployment and employment durations.
Germany*:								
Müller and Steiner (2008)	JSA: Job-search activity sanctions	Registered Unemployed	Non-experimental	2000-2005	Transition Rate from Unemployment to Employment	Propensity Score Matching Techniques and Duration Models	+ Sanctions have a positive impact on the re-employment of unemployed individuals.	The impact of the sanction is stronger when it is imposed at an early stage of an individual's unemployment spell.
Boockmann, Zwick, Ammermüller and Maier (2007)	Hiring Subsidies	Registered Unemployed	Non-experimental	2002-2004	Transition Rate from Unemployment to Employment	Duration Models (Difference-in-Differences Estimator)	+ Positive effect on the transition rate to employment for East German females only.	Treatment analysed is eligibility for programme participation (not actual participation).

Note: *Jacobi and Kluve (2007) provide a summary of studies that have evaluated the effectiveness of various ALMPs in Germany since the Hartz Reforms were implemented between 2003 and 2005.

TABLE A1: Microeconomic Evaluations of Active Labour Market Programmes (continued)

Study	Programme Type	Target Group	Design	Observation Period	Outcomes Analysed	Methodology	Results	Note
Germany:								
Lechner, Miquel and Wunsch (2007)	Training	Registered Unemployed (aged 20-53)	Non-experimental	1994-2002	Probability of Employment	Propensity Score Matching Technique	- Negative short-run effects for training programmes; + positive long-run effects of training programmes for females only.	The negative employment effects derived for males is attributed to the use of inappropriate training programmes by the PES (provision of construction courses as the economy was in a boom at the time of training but the economy was in recession when courses completed).
Hujer and Wellner (2000)	Public sector job Programme	Registered Unemployed	Non-experimental	1990-1994	Employment and Unemployment Durations	Duration Models	No significant impact on either unemployment duration or employment duration.	
Ireland:								
O'Connell (2002)	Four ALMPs: i) General training, ii) Specific skills training, iii) Employment subsidies and iv) Direct employment schemes	Unemployed Workers	Non-experimental	1994-1996	Employment Probability	Logistic Regression and Simultaneous Bivariate Binary Variable Model	+ Positive effects for specific skills training and employment subsidies; modest effect from participation in general training; direct employment scheme (CE) had no impact on employment.	Most effective ALMPs are those with the strongest labour market linkages.
Conniffe, Gash and O'Connell (2000)	General Training	Unemployed Workers (<23 years of age)	Non-experimental	1992-1994	Employment Probability	Propensity Score Matching Techniques	No significant effect on probability of gaining employment.	
O'Connell and McGinnity (1997)	Four ALMPs: i) General training, ii) Specific skills training, iii) Employment subsidies and iv) Direct employment schemes	Unemployed Workers (<23 years of age)	Non-experimental	1992-1994	Employment Probability	Logistic Regression and Simultaneous Bivariate Binary Variable Model	+ Positive effects for skills training and employment schemes (in both the short and long-term).	Most effective ALMPs are those with the strongest labour market linkages.
Netherlands:								
van den Berg and van der Klaauw (2006)	JSA: Counselling and monitoring	Unemployed welfare recipients	Experimental	1998-1999	Exit Rate from Welfare to Work	Duration Models	No significant effect.	

TABLE A1: Microeconometric Evaluations of Active Labour Market Programmes (continued)

Study	Programme Type	Target Group	Design	Observation Period	Outcomes Analysed	Methodology	Results	Note
Netherlands:								
Abbring, van den Berg and van Ours (2005)	JSA: Job-search activity sanctions	Unemployed welfare recipients	Non-experimental	1992	Transition Rate from Unemployment to Employment	Duration Models	+ Sanction has a positive effect on male and female re-employment rates.	Abbring, van den Berg and van Ours (2005)
van den Berg, van der Klaauw and van Ours (2004)	JSA: Job-search activity sanctions	Unemployed welfare recipients	Non-experimental	1994-1996	Exit rate from welfare to work	Duration Models	+ Sanction has a positive effect.	Sanctions are imposed on benefit recipients that do not comply with job search activity guidelines.
Norway:								
Røed and Raaum (2006)	All ALMPs combined into one programme	UI Benefit Recipients (aged 16-60)	Non-experimental	1989-2002	Transition Rate from Unemployment to Employment	Duration Models	+ Positive effect on the transition rate to employment after ALMPs were completed; however, because of opportunity costs during on-programme participation (reduced employment transition), the net effects of ALMP participation were not always positive.	Norway's ALMPs can be grouped into four broad categories: i) Training, ii) Temporary public employment, iii) Temporary employment with wage subsidy and iv) Work practice schemes.
Poland:								
Kluve, Lehmann and Schmidt (1999)	i) Training, ii) Public employment and iii) Wage subsidies	Registered Unemployed	Non-experimental	1992-1996	Employment Rates	Propensity Score Matching Techniques	+ Training has positive effects; - Public employment has negative effects; - Wage subsidies has negative effects, especially for males.	Benefit churning main reason for the negative effects identified for public employment and wage subsidy programmes.
Slovak Republic:								
van Ours (2001)	i) Temporary subsidised private sector jobs, ii) Temporary subsidised public sector jobs and iii) Training	Registered Unemployed Males	Non-experimental	1993-1998	i) Transition rate from Unemployment to Employment; ii) Job separate rates	Multivariate Duration Model	+ Public sector subsidised jobs have positive effects; - Private sector subsidised jobs have negative effects; + Training has positive effect on job finding rate and no impact on job separation.	Positive effects of training attributed to reversed causality: workers entered the training programme only after they were promised a job.

TABLE A1: Microeconomic Evaluations of Active Labour Market Programmes (continued)

Study	Programme Type	Target Group	Design	Observation Period	Outcomes Analysed	Methodology	Results	Note
Spain:								
Arellano (2005)	Training (broad basis, occupation, specialisation and adaptation-occupation)	Unemployed Workers (<60 years of age)	Non-experimental	2000-2001	Exit rate from Unemployment	Duration Models	+ Training has positive effects, higher for females than males.	Programme evaluated is called the 'National Plan for Training and Professional Insertion'.
Sweden:								
Sianesi (2008)	Six ALMPs: i) Labour market training, ii) Workplace introduction, iii) Work experience placement, iv) Public relief work, v) Trainee replacement and vi) Job subsidies	Unemployment Benefit Recipients (aged 25+)	Non-experimental	1994-1999	Employment Probability	Propensity Score Matching Techniques	- Short-term negative impact on employment probability for six ALMPs relative to JSA; + Job subsidies increased employment prospects in the long-term but vocational classroom training, work practice schemes (I and ii) and public relief work lowered employment rates; Trainee replacement performed satisfactorily.	The performance of the 6 ALMPs is investigated relative to one another and vis-à-vis more intensive job search in open unemployment (i.e. individuals that received support equivalent to JSA). Short and long-run effects evaluated. ALMPs that resemble regular employment do better.
Carling and Richardson (2004)	Eight ALMPs: i) Self-employment grants, ii) Subsidised employment (mainly private), iii) Trainee replacement (mainly public), iv) Work placement, v) Relief work, vi) Work experience, vii) Labour market training, and viii) Computer/activity centres	Unemployment Benefit Recipients (aged 25-54)	Non-experimental	1995-1999	Unemployment Duration	Duration Models	ALMPs in which participants receive work experience and training that are provided by firms have better outcomes than classroom vocational training programmes.	THE ALMPs are not compared with a non-programme participation group.
Sianesi (2004)	All ALMPs combined into one programme (and participants are compared with UE recipients that received baseline services offered by the PES, which is effectively equivalent to JSA)	Unemployment Benefit Recipients (aged 18-55)	Non-experimental	1994-1999	Employment Probability	Propensity Score Matching Techniques	Mixed Results: ALPM participation increased employment rates but it also allowed participants to remain on UE benefits for longer and in the UE system, particularly for those who participated around the time of benefit exhaustion.	Short and long-run effects evaluated.

TABLE A1: Microeconometric Evaluations of Active Labour Market Programmes (continued)

Study	Programme Type	Target Group	Design	Observation Period	Outcomes Analysed	Methodology	Results	Note
Switzerland:								
Lalive, van Ours and Zweimüller (2008)	Four ALMPs: i) Basic training, ii) Advanced training, iii) Employment programmes and iv) Temporary subsidised jobs	Unemployment Benefit Recipients (aged 20-49)	Non-experimental	1997-1999	Unemployment Duration	Duration Models (Matching Approach and Timing-of-Events Approach)	Mixed Results: Based on matching approach, only temporary subsidised jobs shorten unemployment duration. Based on timing-of-events approach, none of the Swiss ALMPs reduce unemployment duration.	The introduction of unobserved heterogeneity into the estimation method affects the results derived.
Lalive, van Ours and Zweimüller (2005)	JSA: Job-search activity sanctions (warning effect and benefit sanction effect)	UI Benefit Recipients (aged 20-50)	Non-experimental	1997-1999	Unemployment Duration	Duration Models	+ Both the sanction warning and enforcement of the sanction increase the exit rate out of unemployment.	The stricter the sanction policy, the shorter the duration of unemployment of the non-sanctioned.
Gerfin and Lechner (2002)	Eight ALMPs broadly categorised as: i) Training courses, ii) Employment programmes, iii) Temporary employment with wage subsidy	Unemployment Benefit Recipients (aged 25-55)	Non-experimental	1997-1999	Employment Probability	Propensity Score Matching Techniques	- Negative impact on employment probability from employment programmes; positive impact from temporary wage subsidy; results for vocational training programmes are mixed.	The Temporary employment with wage subsidy programme is not an official ALMP; however, PES use it as an active labour market policy instrument.
United Kingdom:								
Blundell, Costa Dias, Meghir and Van Reenen (2004)	JSA: Job-search activities and wage subsidies	UI Benefit Recipients (aged 18-24, unemployed for minimum of 6 months)	Non-experimental	1982-1999	Exit into Employment	Propensity Score Matching Techniques	+ Positive effect on males finding a job, with wage subsidies having the biggest impact.	The 'New Deal for Young People' is the name of programme evaluated. Sanction attached to non-participation.
Van Reenen (2003)	JSA: Job-search activities and wage subsidies	UI Benefit Recipients (aged 18-30, unemployed for minimum of 6 months)	Non-experimental	1982-1999	Exit into Employment	Propensity Score Matching Techniques	+ Positive effect on males finding a job, with wage subsidies having the biggest impact.	The 'New Deal for Young People' is the name of programme evaluated. Sanction attached to non-participation.

TABLE A1: Microeconomic Evaluations of Active Labour Market Programmes (continued)

Study	Programme Type	Target Group	Design	Observation Period	Outcomes Analysed	Methodology	Results	Note
United Kingdom:								
Dolton and O'Neill (1996)	JSA: Counselling and job search activities	Unemployment Benefit Recipients	Experimental	1989-1990	Transitions from Unemployment to: i) Employment, ii) Training, or iii) Signing-off UE benefit	Duration Models	+ Positive effect on transition from unemployment to a job; positive but small impact on transition to training; positive impact on 'not signing-on' for females and other groups not genuinely available for work.	Restart is the name of the programme evaluated. Non-attendance results in sanction.

TABLE A2: Cox Proportional Hazard Model on Exit from Unemployment at 12 Months

Variable	Model 1 Both Control Groups	Model 2 Control Group I	Model 3 Control Group II
NEAP Intervention:			
FÁS Interview plus Referral	-0.29*** (0.039)	-0.55*** (0.045)	0.07 (0.058)
Personal and Family Characteristics:			
Male	0.19*** (0.043)	0.24*** (0.046)	0.20*** (0.051)
Age Reference Category: Aged 18-24			
Age 25-34	-0.14*** (0.055)	0.05 (0.060)	-0.09 (0.068)
Age 35-44	-0.35*** (0.067)	-0.20*** (0.075)	-0.33*** (0.081)
Age 45-54	-0.20** (0.077)	-0.09 (0.085)	-0.16* (0.091)
Age 55+ Years	-0.73*** (0.099)	-0.73*** (0.106)	-0.66*** (0.122)
Health Reference Category: Bad/Very Bad Health			
Very Good Health	0.36 (0.255)	0.29 (0.294)	0.11 (0.283)
Good Health	0.25 (0.255)	0.18 (0.295)	0.04 (0.284)
Fair Health	0.08 (0.267)	0.01 (0.307)	-0.12 (0.298)
Marital Status Reference Category: Single			
Married	-0.10 (0.070)	-0.14* (0.075)	-0.09 (0.082)
Cohabits	-0.01 (0.093)	-0.08 (0.101)	-0.05 (0.111)
Separated/Divorced	-0.19* (0.113)	-0.20* (0.124)	-0.21 (0.135)
Widowed	-0.11 (0.250)	-0.06 (0.259)	-0.24 (0.341)
Children	-0.13*** (0.035)	-0.15*** (0.039)	-0.13*** (0.041)
Weekly Spousal Earnings Reference Category: None			
Spouse Earnings €250	0.35*** (0.103)	0.31*** (0.113)	0.46*** (0.121)
Spouse Earnings €251-€350	0.22 (0.259)	0.33 (0.260)	0.29 (0.278)
Spouse Earnings €351 and Above	-0.23*** (0.078)	-0.23*** (0.083)	-0.23** (0.091)
Human Capital Characteristics:			
Education Reference Category: Primary or Less			
Junior Certificate	0.07 (0.077)	0.09 (0.087)	0.12 (0.090)
Leaving Certificate	0.28*** (0.076)	0.35*** (0.085)	0.28*** (0.089)
Third-level	0.51*** (0.078)	0.50*** (0.088)	0.51*** (0.092)
Apprenticeship	0.04 (0.053)	0.02 (0.059)	0.05 (0.062)
Literacy/Numeracy Problems	-0.21** (0.094)	-0.16 (0.103)	-0.24** (0.109)

TABLE A2: Cox Proportional Hazard Model on Exit from Unemployment at 12 Months (continued)

Variable	Model 1 Both Control Groups	Model 2 Control Group I	Model 3 Control Group II
English Proficiency	0.06 (0.110)	-0.01 (0.116)	0.09 (0.125)
Employment/Unemployment/Benefit History:			
Employment History Reference Category: Never Employed			
Still in Employment	0.07 (0.180)	-0.04 (0.194)	-0.01 (0.243)
Employed in Last Month	0.25 (0.160)	0.29* (0.172)	0.41** (0.194)
Employed in Last Year	0.19 (0.161)	0.24 (0.174)	0.32* (0.195)
Employed in Last 5 Years	0.01 (0.172)	0.03 (0.187)	0.14 (0.207)
Employed Over 6 Years Ago	-0.35 (0.253)	-0.48* (0.285)	-0.14 (0.287)
Job Duration Reference Category: Never Employed			
Job Duration Less than Month	0.32* (0.169)	0.38** (0.187)	0.22 (0.199)
Job Duration 1-6 Months	0.43*** (0.151)	0.50*** (0.168)	0.46*** (0.176)
Job Duration 6-12 Months	0.43*** (0.154)	0.50*** (0.172)	0.39** (0.179)
Job Duration 1-2 Years	0.37** (0.156)	0.48*** (0.173)	0.32* (0.181)
Job Duration 2+ Years	0.14 (0.152)	0.17 (0.169)	0.06 (0.176)
Would Move for a Job	0.14*** (0.041)	0.15*** (0.045)	0.12** (0.049)
Social Welfare Payment Type Reference Category: Jobseeker's Benefit			
Jobseeker's Assistance	-0.58*** (0.049)	-0.50*** (0.054)	-0.57*** (0.059)
Geographic Location Information:			
Location Reference Category: Rural			
Village	-0.01 (0.067)	0.04 (0.072)	-0.11 (0.082)
Town	-0.04 (0.064)	-0.01 (0.069)	0.05 (0.076)
Large Town/City	-0.07 (0.065)	-0.01 (0.070)	-0.05 (0.077)
Transportation:			
Own Transport	0.18*** (0.045)	0.17*** (0.049)	0.19*** (0.053)
Public Transport	-0.02 (0.055)	-0.05 (0.060)	-0.04 (0.066)
County Location Reference Category: Dublin			
Carlow	-0.04 (0.158)	-0.04 (0.175)	-0.05 (0.204)
Cavan	-0.46*** (0.170)	-0.42** (0.176)	-0.46** (0.205)

TABLE A2: Cox Proportional Hazard Model on Exit from Unemployment at 12 Months (continued)

Variable	Model 1 Both Control Groups	Model 2 Control Group I	Model 3 Control Group II
County Location Reference Category: Dublin			
Clare	-0.10 (0.127)	-0.19 (0.141)	0.03 (0.147)
Cork	-0.09 (0.072)	-0.08 (0.078)	-0.13 (0.085)
Donegal	-0.27*** (0.098)	-0.21* (0.109)	-0.22** (0.111)
Galway	-0.10 (0.086)	-0.05 (0.092)	-0.11 (0.101)
Kerry	-0.04 (0.092)	-0.01 (0.104)	-0.06 (0.112)
Kildare	-0.25** (0.112)	-0.25** (0.117)	-0.26* (0.147)
Kilkenny	0.04 (0.159)	0.01 (0.179)	0.06 (0.208)
Laois	-0.11 (0.150)	-0.04 (0.159)	-0.18 (0.193)
Leitrim	-0.35 (0.244)	-0.41 (0.276)	-0.41 (0.268)
Limerick	-0.14 (0.102)	-0.11 (0.112)	-0.15 (0.114)
Longford	-0.45** (0.192)	-0.48** (0.203)	-0.49* (0.260)
Louth	0.00 (0.110)	-0.10 (0.121)	0.03 (0.134)
Mayo	-0.05 (0.120)	-0.05 (0.133)	-0.07 (0.135)
Meath	-0.02 (0.113)	-0.02 (0.122)	-0.07 (0.150)
Monaghan	0.04 (0.159)	0.08 (0.168)	0.10 (0.179)
Offaly	-0.06 (0.142)	-0.00 (0.151)	-0.15 (0.176)
Roscommon	-0.39 (0.244)	-0.49* (0.267)	-0.45 (0.277)
Sligo	-0.36* (0.189)	-0.42* (0.216)	-0.33 (0.208)
Tipperary	-0.00 (0.107)	-0.00 (0.117)	0.02 (0.125)
Waterford	-0.11 (0.109)	-0.02 (0.117)	-0.39*** (0.151)
Westmeath	-0.15 (0.117)	-0.15 (0.127)	-0.05 (0.134)
Wexford	-0.37*** (0.117)	-0.27** (0.128)	-0.45*** (0.140)
Wicklow	-0.15 (0.115)	-0.14 (0.124)	-0.14 (0.126)
Observations	6,635	5,543	5,125

Note: Standard errors in parentheses.

* significant at 10 per cent; ** significant at 5 per cent; *** significant at 1 per cent.



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