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Social effects of active labour market policy

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ABSTRACT

During the last decade the active labour market policy (ALMP), primarily in the Netherlands and in Scandinavia, has been evaluated innumerable times. The common denominator for most evaluations is their focus on employment as dependent variable (see eg. Geerdsen & Geerdsen 2006, Bolvig, Jensen & Rosholm 2003), and the success of ALMP are measured as the number of unemployed getting an ordinary job after participating in some kind of activation programme. This kind of evaluations raises a number of questions; firstly it is questionable, whether it is possible to measure the isolated effect of participation at all, because the selection of participators is far from random, and secondly the focus on employment solely as dependent variable is inadequate. For many long-time unemployed people, the road contains more bumps than one to reach employment, and the research needs to take this into consideration. This paper deals with the Danish activation policy from a new perspective and evaluates the effects on different aspects of social marginalisation, focusing on the long-term receivers of social assistance.

The analysis are based on a comprehensive quantitative survey among unemployed in Denmark in 2007, and the primary variables for the empirical analysis are different aspects of social marginalisation as dependent variables, including social participation, self esteem and stigmatisation, and participation in activation programmes and the evaluation hereof as the independent variables.

The results quite convincingly show that ALMP have no effect on any of the indicators of social marginalisation, when we compare the degree of social network, feeling of stigmatisation and self-esteem among participants in activation programmes with non participants. Taking this result into account, only moral arguments are left for maintaining ALMP as an obligation for receiving social assistance. Asked directly, however, the unemployed themselves evaluate their participation positively on both their self-esteem and on their chances of returning to the labour market.

Keywords: Active labour market policy, social assistance, social effects, self-esteem
Introduction

During the 1990s many European countries have increased the use of active labour market policies (ALMP) (Tergeist and Grubb 2006, Lind & Hornemann Møller 2006). In return for receiving unemployment benefit or social assistance, the unemployed are obligated to participate in any kind of activation programme.

The scientific and political debates about the intentions of different kinds of activation programmes have mainly focused on the obligation to participate and the ‘no work, no money’ principle on the one hand, but also about the presumed positive effects from activation on life conditions and self-esteem or well being (Andersen, 2008; Oddy, 1984; Korpi, 1997; Creed, 1998; Strandh, 2001). A trenchant focus on obligations in return for welfare rights is found among conservative Lawrence Mead, who argues that the reason for the welfare states lack of success in fighting poverty is a result of the perception of the social benefits as a right without corresponding obligations. He further argues that the purpose of the social policy must be to suppress the growing dependency by encourage equal citizenship.

According to Mead this means: "It does not require that the disadvantaged 'succeed', something not everyone can do. It requires only that everyone discharge the common obligations, including social ones like work. All competent adults are supposed to work or display English literacy, just as everyone is supposed to pay taxes or obey the law” (Mead 1986:12).

This approach is often seen as the gateway to the commonly accepted workfare discourse, where activation of unemployed has a pivotal role. Others (e.g. Barbier 2002, Jensen 1999), however argues that activation and workfare not can be discussed as equal terms. Barbier mentions that ‘workfare’ is a misleading concept that uncritical has been used outside its original context in USA in the 1970’s, and is used as buzzword in European literature about activation (Barbier 2002:3). Instead he argues that: "...more adequate categories are needed to discriminate among labour market programmes and 'labour market integration policies' as well as benefits and the recently expanding array of tax credits or ‘in-work’ benefits across Europe” (Barbier 2002:4).
Nevertheless activation of unemployed is regarded positive among the main part of theoretical perspectives on the welfare state and unemployment, not only among the conservative and paternalistic approaches like Mead above\(^1\). However, we find considerable variations in the arguments for the causes of the positive effects, ranging from the mentioned authoritative enforcement and ‘no work, no pay’ arguments to arguments about how the well organised activation will reduce social marginalisation and increase the chances of returning to the labour market (Gallie 1994: 2000)

In almost perfect line of these arguments, the overall purpose of the Danish ALMP has, since the early 1970’s, been twofold: 1) Enhance employment and 2) Prevent marginalisation within the group of unemployed (Ministry of Labour, 2000:19 + 23). Even if the purpose has been twofold, employment seems to be the most important purpose. However, if we consider the group of unemployed in relation to resources etc, it seems somewhat optimistic to expect a direct correlation between ALMP (e.g. activation) and employment. Perhaps a more likely scenario is to expect an intermediate variable (social marginalisation) as a step towards the labour market for this particular group of people. Perhaps social integration (prevention of social marginalisation) must be taking into account as a necessary step for this people before they can enter the labour market. As the unemployed is a heterogeneous group this scenario only applies for some of them. In particular the long term unemployed with limited resources. This relation is illustrated in the figure below:

\[^1\] Not everyone find the spreading of ALMP positive, and the term workfare, as mentioned earlier, has been used widely among critics. According to the Danish policy, Hansen (2001) argues that the strong work ethic or moral of economic independence in Denmark strengthen the focus on the ALMP – it is no longer enough to be legally eligible to receive a benefit, you must morally deserve it as well (Hansen 2001:12).
As the policy spreads during the last decade the number of evaluations of the ALMP has naturally increased. However, in spite of the twofold purpose the common denominator for most evaluations is their focus on employment as dependent variable, which has been named *employment effect* (number of participants who receive employment after activation) (see eg. Geerdsen & Geerdsen 2006, Bolvig, Jensen & Rosholm 2003, Johansen 2007, Graversen & Weise 2001; Oorschot & Abrahamsen, 2003). In some countries the assumed effect of this policy in fighting unemployment has been called nothing less than a miracle (e.g. “The Danish Miracle”, see Madsen 1999, Torfing 1999 and “The Dutch Miracle”, see Visser and Hermerijk, 1997). Taking this good reputation into consideration, an interesting finding is that scientific evaluations of the employment effect in many European countries shows varying results and in general somewhat modest employment effects (e.g. Johansen 2007; Bolvig, Jensen & Rosholm 2001:147-152; Graversen & Weise 2001; Calmfors et al 2002; Martin & Grubb 2001; Heckman, Lalonde & Smith 1999; Calmfors, Forslund & Hemström 2001; OECD 1996; Martin 2000).

This kind of ‘employment effect’ evaluations, however, raises a number of questions; firstly it is questionable, whether it is possible to measure the isolated effect of participation in activation at all, because the selection of participators is far from random (Hansen et al., 2005). An additional question is why some participants after ended activation remain unemployed while others achieve employment (Arbejdsmarkedsstyrelsen 2002, Rosholm & Svarer 2004, Geerdsen & Graversen 2002, Johansen 2007).

Secondly the focus on employment solely as dependent variable is inadequate. The criteria for success of the ALMP is of course depending on the choice of theoretical perspective, the evaluations are based on. If we adopt – as mainstream of the research – a distinct labour market perspective, the criterion for success must be to what degree participation in activation programmes will increase the possibilities of getting employed. But if we are to evaluate whether ALMP has have the desired effect cf. both the two purposes, what remains to be answered is the effect in relation to prevention of social marginalisation. The scientific grounded knowledge in this field is generally speaking limited and scattered. In the previous literature, the dependent variable has defined as employment and thereby the aspect regarding marginalisation has been neglected. There are some exceptions as Andersen (2008), who
examines well being among unemployed and find a positive effect from activation. In line of this research Oddy (1984), Korpi (1997), Creed (1998), Strandh (2001) have all concluded that participation in activation has a positive effect on well being among the unemployed. However this previous research is not completely in line of the present paper. First of all the article by Andersen (2008) is based on English panel data and does thereby not consider a Danish context. Furthermore her theoretical perspective is more in a line of a deprivation mind set, whereas we try to adopt a broader perspective, as our dependent variable is marginalisation. If such a marginalisation approach is adopted, when evaluating the effects of the labour market policy, a totally different set of criteria’s are pivotal for the assessment of whether the activation is successful. An argument for maintaining the ALMP in spite of the discouraging employment results is referring to the second purpose that even if activation not always will provide permanent employment, the participation in itself will have a positive impact on the participant’s living conditions. Another argument supporting the need for focusing on other criteria’s for success than employment is to be found in the development in unemployment rates. Since the late 1990’s, many Western European countries have faced a dramatically decrease in unemployment rates (OECD 2008). In Denmark, where the unemployment reached 1.9 pct. in March 2008, the remaining group of unemployed have quite another composition than the group of unemployed just ten years ago. The group are to a larger extent facing social problems, they have lower formal qualifications and they are generally speaking a weaker group on most social indicators (Rosdahl & Petersen 2007). For many long-time unemployed, the road contains more bumps than one to reach employment, and the research needs to take this into consideration.

This paper ties up these loose ends, and analyse the ALMP and the effects on different aspects of social marginalisation. Our argument is that when we are facing the weakest group of unemployed – long-term receivers of social assistance in a period of very low unemployment – we have to evaluate the ALMP focusing on the social effects, instead of the limited focus on employment. We show that the difference between unemployed who have participated in activation compared to the group who have not is limited and in general absent when it comes to different indicators on social marginalisation. This is also the length of the unemployment period into account. On the other side unemployed they evaluate participation in activation

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2 Data generated from [http://stats.oecd.org/WBOS/Index.aspx?QueryName=251&QueryType=View](http://stats.oecd.org/WBOS/Index.aspx?QueryName=251&QueryType=View)
programmes to have had a positive effect on both their self-esteem and their opportunities of getting a job in the future.

**Hypothesis and variables**

Naturally, we will adopt a social marginalisation approach rather than a mainstream labour market approach. The research in social marginalisation has in many instances been limited by confusion as to the definition and clarification of central concepts (van Kooten 1999, Jensen 2001, Johannessen 1997, Halvorsen 1999). In most Scandinavian research, as well as in this article, the concept of marginalisation is used in connection to concepts like inclusion and exclusion, and marginalisation is seen as a position *between* being completely included and completely excluded. Furthermore it is a situation that involves a risk of being excluded from one or more aspects of society: the marginalised are not completely included in society, but they are not completely excluded either (Johannessen 1995, Lund Clement 2004). This emphasises the argument about marginalisation not being a permanent position, important. To be in a marginalised position might very well only be temporary, and it is possible to regain social integration/inclusion in society. In our case this implies that we find it possible to be without employment and social marginalised, and still be able to escape marginalisation and return to the labour market. Furthermore it is important to stress that the term marginalisation refers to not only some objective conditions, but also to more subjective indicators of the ‘state of mind’, e.g. self-esteem and feeling of empowerment.

The empirical analysis in this paper will be based on three overall dependent variables, chosen to be indicators of partly the ‘condition’ part of the marginalisation concept – the degree of social network - and partly the ‘state of mind’ part, operationalized as self-esteem and feeling of stigmatisation. Furthermore we will include the unemployed own evaluation of the effects of activation on their self-esteem and their opportunities of returning to the labour market.

According to mainstream theoretical arguments about deprivation and social effects of unemployment (Jahoda 1982, Fryer 1984, 1986), we would expect participation in activation to have a positive effect on all the indicators. Activation will increase the general well being among participants, because it will fulfil at least some of the latent functions of ordinary employment, e.g. a more structured everyday life. In particular the psychological factors,
stigmatisation and self-esteem will be positively effected, and because of the strong work ethics and fundamental moral focus on economic independence and labour market participation in Denmark (Albrect Larsen & Goul Andersen 2003b, Hansen 2001), the effects were expected even stronger. Finally, the very low unemployment rate increased the expectations of strong effects even further, and the bigger the surprise, when the empirical analysis did not support these expectations.

Methods
We test our hypothesis from data generated in a comprehensive survey among unemployed in Denmark from 2006/2007. Because our argument for focusing on the intervening variables in the analyses mainly goes for the social weakest unemployed, our group of respondents are limited to long-term receivers of social assistance.

In relation to research the effect of ALMP on social marginalization, it would be ideal to follow the participants over time, so we could compare the degree of social marginalisation before and after participation in activation. Unfortunately we have no panel data available, but instead the point of the departure is a comparative design using cross sectional survey data. This way we compensate for the lack of time dimension by including a control group - in this paper unemployed on social assistance who has not participated in activation. Hence the respondents are split into two groups: A group including those who during the last five years have participated in any kind of activation programme, and a group who have not.

The empirical analysis is split into two sections: Firstly, we make simple comparisons of the two groups in the 2007-data according to the indicators of social marginalisation. If we take the above mentioned theoretical hypothesis into consideration we should expect participators in activation to be less social marginalised compared to those who have not participated, based on the assumption that activation have a beneficial effect. However, the empirical analysis shows quite another picture, as we find no significant differences among the two groups. The second part of the analysis examines the subjective evaluations of the participation, among the group who have participated in activation. It will concern their own evaluation of the prospects for returning to the labour market after participation, and the effect on self esteem.

3 Long-term unemployment implies being unemployed for at least 6 month.
However, we first need to get a closer look on how many of the unemployed on social assistance actually have participated in some kind of activation programme, and how the participators in ALMP differs from the group who have participated – this is especially relevant since the last mentioned group act as a control group.

As can be seen from the table 1, the numbers of respondents who have participated in activation within the last five years is 405 compared to 170 respondents who have not. Therefore we have to take into consideration that the control group is rather small.

| Table 1: Characteristics among the long-term receivers of social assistance, pct., 2007. |
|---------------------------------------------|---------------------------------------------|
| Participation in activation                | No participation in activation              |
| Gender                                      |                                             |
| Men                                         | 33.6                                        |
| Women                                       | 66.4                                        |
| Age                                         |                                             |
| 18-29 years                                 | 24.2                                        |
| 30-39 years                                 | 29.1                                        |
| 40-49 years                                 | 27.7                                        |
| 50-59 years                                 | 17.0                                        |
| 60 + years                                  | 2.0                                         |
| Share living alone\(^4\)                    | 37.8                                        |
| Share with bad or very bad health (self reported) | 43.7                                        |
| Share with maximum 7 years of schooling     | 13.6                                        |
| Share who have completed secondary education | 16.3                                        |
| Share with difficulties in reading and understanding a text. | 12.4                                        |
| Share with minority background              | 33.9                                        |
| Min. n                                      | 405                                         |
|                                             | 170                                         |

If we compare the group of unemployed who have participated in activation against the group who has not, a clear gender pattern occurs. Hence more women are in the groups of people participating in activation. Furthermore, an over representation among the younger groups also applies to the group of people taking part in activation. Another characteristic among the group in activation is that a larger share lives alone than among those not participating in activation. If we look upon the remaining characteristics, we see that a smaller share of the

\(^4\) Living alone implies not being in a relationship or having children.
participators reported their health as being bad. A glance upon the distribution of education shows on a general note the participators in activation are more educated and thereby a smaller share expresses difficulties in relation to reading and understanding the written language.

To sum up it is clear, that the group of unemployed who has participated are relatively stronger compared to the group who has not. The question is whether these differences also appear when we look at the different indicators on social marginalisation.

Findings
This section will be divided into two: In the first part we raise the question whether participation in activation has an impact on the selected indicators of social marginalisation. In addition we also examine whether the participators in activation state activation has had an impact on their job possibilities and their self esteem.

Table 2 compares unemployed on social security benefit who have participated in activation within the last five years with unemployed who have not participated. The first part of the table contains self – esteem, the second stigmatisation and finally the third contains social network in relation to, how often their see friends. These three indicators are selected in relation to measure marginalisation and thereby constitute the framework for this papers analysis. For all the three indicators we both show the category value, significant level, eta and the average index value (from 0 to 100 were 0 is very low and 100 very high).
As shown in table 2, the difference between the two groups on the three indicators of social marginalisation is very limited and generally speaking absent. If we first take a look at self-esteem the average index value is quite the same for both groups (69.4 vs. 68.6). The self-esteem among most of the unemployed seems to be high or very high, which per se is interesting. Generally no one in the two groups have a very low self esteem. When it comes to the feeling of stigmatisation the difference is also limited. The average index values are here quite the same in the two groups (60.6 vs. 61.2). Huge parts in both groups often feel that

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5 The self esteem index consists of the following variables: I would like to ask you to if you agree, partly agree, disagree or partly disagree in the following statements: a) I am almost always confident with myself, b) in company of others, I am often insecure of myself, c) I would like to change a lot things with myself, d) I often felt that I do things wrong. The calculated Cron Alpha for these variables is 0.725.

6 Stigmatisation: variable: Have you sometimes felt, people looking down on you, because you receive social assistance?

7 Social network variable: How often do you meet with your friends?
people look down on them, because they receive social security benefit. Neither have we 
found a difference between the two groups when it comes to how often they see friends. The 
frequency differs within both groups. Some have very high participation while others have 
very low. Even after controlling for background factors (sex, age, education) and interaction 
effects (length of unemployment period), the differences between the two groups are still 
limited.

To sum up the results above show nearly no differences between the groups of unemployed 
who have participated in activation compared to the group who have not. This indicates that 
there is no effect of activation on social variables (marginalisation). Activation thereby does 
not help prevent social marginalisation - at least not among this group of unemployed anno 
2007 in Denmark. This result is interesting if we take some of the existing into account. 
Previously studies have found a positive effect of activation on well being (see Oddy 1984: 
Korpi 1997; Creed, 1998; Strandh, 2001: Andersen 2008). Given the different context – both 
in relation to society and time- however it seems plausible that different effects occur. In this 
study the unemployed is characterised by lack of resources in opposition to the group in for 
instance the 1990´s or earlier. This could be one explanation for the different results in 
relation to the previous studies. Furthermore the studies are conducted in very different 
countries with different composition among the unemployed whereas different effect will 
occur.

The overall purpose of the Danish ALMP is twofold between enhancing employment and 
preventing marginalisation (Ministry of Labour, 2000:19 + 23). As mentioned a great deal of 
the literature are sceptical when it come to the first purpose (enhance employment) (e.g. 
Johansen 2007; Bolvig, Jensen & Rosholm 2001:147-152; Graversen & Weise 2001; 
Calmfors et al 2002; Martin & Grubb 2001; Heckman, Lalone & Smith 1999; Calmfors, 
Forslund & Hemström 2001; OECD, 1996; Martin 2000) and the same are this paper when it 
comes to the second purpose (prevention of social marginalisation).

Of course we have to be aware of the method used in this article, where we do not measure 
the direct effect but instead use a control group. Therefore we do not know whether there have 
been a shift, but if we take the selection of the participators into account where unemployed in 
activation on some observed variables have more resources that the unemployed who have 
not, we have a rather strong argument. We could expect that the participators in activation
before entering activation have higher self esteem, lover feeling of stigmatisation and bigger social network compared to the group who have not participated. Maybe the lack of effect partly can be assigned to the characteristics of the group of unemployed in Denmark 2007. The remaining group is as mentioned very weak compared to the situation in the 1990s and maybe it is not reasonable to expect any effect of the ALMP in the current situation.

The following question is whether we, on basis of these results, can conclude that ALMP does not have any effect on social marginalisation? As mentioned a problem with the empirical background in this article is that we do not know whether the degree of social marginalisation was higher before they participated. We can not be absolutely certain whether there has been a causal effect, but we can examine whether unemployed, who have participated in activation, feel that the activation have some positive effect on different parameters, which is why we now turn around to the subjective analysis. The results are contained in table 3 below.

<table>
<thead>
<tr>
<th>Table 3. Subjective criteria</th>
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<tr>
<td>Profit a lot</td>
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<td>----------------</td>
</tr>
<tr>
<td>Job possibilities</td>
</tr>
<tr>
<td>Self esteem</td>
</tr>
</tbody>
</table>

*Significant at 0.05 level, **significant at 0.01 level, ***significant at 0.000 level, NS not significant.

The results indicate that the participation in a subjective manner has a positive effect on both job possibilities and self esteem among the unemployed. About 43 pct. says that participation has profit some or a lot when it comes to job possibilities. And mostly 50 pct. says that activation has profit some or a lot on their self-esteem. Contrary to these optimistic results, around 8 pct. says that participation more likely damaged job possibilities and 14 more likely damaged self esteem.

**Conclusion**

The aim of this article has been to measure the effect of the ALMP focusing on other dependent variables than just employment, on the basis of two main arguments: Firstly the formulated purposes of the ALMP in Denmark have been twofold, focusing not only on
enhancing employment, but also on preventing social marginalisation. However, almost every evaluation of the ALMP only pays attention to employment, and therefore the research based knowledge about the effects on social marginalisation is inadequate. Secondly, the need for focusing on exactly social marginalisation is urgent, because the Danish labour market are facing very low unemployment rates with a relatively high share of so-called weak unemployed in risk of completely exclusion from the labour market.

In the paper three different indicators of social marginalisation have been the dependent variables – social network, stigmatisation and self-esteem. Furthermore we have evaluated the unemployed’s own evaluation on the effect from activation on self-esteem and prospects of returning to the labour market, respectively.

The results turned out to be quite surprising and quite unambiguous, as we found only very low and not significant effects at all from participation in activation on any of the indicators of social marginalisation. In relation to our theoretical assumption that participation in activation might improve the self-esteem among the unemployed, we find no difference between the two groups, which also was the case for the feeling of stigmatization and social network. This is also the case after controlling for background factors and interaction effects.

Furthermore the limited difference between the two groups is surprising when we take into account that the participators in activation on some observed variables (e.g. self reported health and level of education) seem to have more resources, compared to the non-participating group. This might be due to the so-called creaming effect, where the unemployment office arrange activation for the strongest group of unemployed to obtain the most positive effects (Abrahamson 1998), but it also entails the lack of difference between the groups even more surprising.

As we could not find any effects of participation in activation on any of our dependent variables, it seems obvious to conclude that the only argument remaining for continuing the ALMP is the moral ‘workfare’ argument of no rights without obligations. What remains is the moral reason to maintain activation as part of the ALMP- for instance in order to maintain public support for the policy and large degree of security for the unemployed. One argument found among advocated for paternalistic welfare focusing on obligations, will be that
activation justifies social assistance – that the unemployed participate in activation legitimizes that they receive social assistance.

However, in spite of our unsuccessful attempt to make the statement that even if ALMP not creates permanent ordinary employment for the weakest group of unemployed, it reduces the level of social marginalisation, we must not ignore the results of the other analyses in the paper: the unemployed’s own evaluations. On these variables we find quite strong positive effects, both regarding the effect on self-esteem and the effect on chances of returning to the labour market. And even though we were not able to measure differences between the two groups, this subjective feeling of activation as useful might be the first step, even if there are many to go, to avoid social marginalisation and to reach ordinary employment.

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