



# Some perspectives on the importance of policy evaluation

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- Why evaluate ALMP's?
- How to measure effectiveness?
- Some practical issues
- Unanswered questions

- Active Labour Market Policies
  - Training for the unemployed;
  - Private sector incentive schemes (wage subsidies, start-up grants,...);
  - Direct employment programmes;
  - Counseling, monitoring, job search assistance, sanctions;

# Public expenditure on ALMP's

As % of GDP in 2008 (\*2007) (OECD Employment Outlook 2010)

|             |      |                 |      |
|-------------|------|-----------------|------|
| Denmark     | 1,35 | Norway*         | 0,56 |
| Belgium     | 1,28 | Poland          | 0,56 |
| Netherlands | 1,04 | Italy           | 0,45 |
| Sweden      | 0,99 | Luxembourg      | 0,42 |
| Finland     | 0,82 | United Kingdom* | 0,32 |
| France      | 0,81 | Hungary         | 0,3  |
| Germany     | 0,81 | Slovak republic | 0,25 |
| Spain       | 0,73 | Czech Republic  | 0,23 |
| Ireland     | 0,7  | Slovenia        | 0,18 |
| Austria     | 0,67 | Greece          | 0,15 |
| Portugal    | 0,57 | Estonia         | 0,07 |

# Why evaluate ALMP's?

- Active policies : beneficial effects
- Strong beliefs
- Is this really the case? → Impact evaluation
  - Different programmes in one country
  - All equally effective?

# Why evaluate ALMP's?

- Evidence based policy : given evaluation results, decide to:
  - *Continue the programme*
  - *Expand the programme*
  - *Restructure or redesign the programme*
  - *Abolish the programme*
- In the end : a matter of accountability

- Process evaluation
  - How is the programme implemented?, Management quality?, Proper design?, Selection processes?,...
- Impact evaluation : effectiveness
- Efficiency : cost effectiveness
  - Two equally effective programmes may have a quite different cost per participant

- Effectiveness : a lot of possible outcomes
  - % of participants that find a job, % that leave unemployment, % that find a stable job or stable employment,....,
  - % that find a decent job, effects on health, psychological effects, effects on well-being



# Gross versus net effectiveness

- Observed outcome : effect of programme participation + effect of factors outside the programme
  - Therefore, if we observe that 6 months after finishing the programme e.g. 60% of the participants do have a job, this can not entirely be attributed to programme participation : even without participating in the programme, some unemployed would have found a job within 6 months

# Net effectiveness

- In order to find the proper impact of the programme (the “value added”, or the “net effectiveness”, or the “impact”) , we have to correct the observed gross effect :

Net effect = [Gross effect] - *[the % of participants that would have found a job even without participating]*

- Since participants can not at the same time be non-participants, the red quantity cannot be observed (“counterfactual”) and must be estimated

# Estimating counterfactuals

- Non-experimental approaches (including quasi-experiments)
  - Several, more or less sophisticated approaches
  - Basically : compose a comparison group of persons who are comparable to participants, BUT who did not participate
  - Potential weakness : comparability not complete, e.g. due to (self-) selection effects. **Example : motivation**

- Experimental approaches

- Basically : take the group of persons who are willing to participate in a programme, and randomly assign half of them to a experimental group, and half of them to a control group
- Experimental group is allowed to participate, control group not
- Results of control group serve as counterfactual
- Advantage : better guarantee for comparability, factors like e.g. motivation will on average be the same in both groups
- Strong resistance in a lot of countries to this approach : “unequal treatment”. However, given the cost of ALMPs and the intrinsic uncertainty as to their effects, this should be reconsidered

# Some practical issues

- Planning helps
  - Plan before the introduction of a new programme
  - However, avoid the evaluation of a brand new programme
  - Radically changing (or abolishing) a programme before the end of the evaluation makes the results somewhat irrelevant

# Some potential conflicts

- Time is on our side?
  - Policy makers, evaluation sponsors, programme administrators want immediately evaluation results ↔ evaluator will insist that a thorough evaluation takes time
  - Impact evaluation results necessarily will only be available some time after participation
  - The resulting “this is old stuff”-argument is not per se valid

# Some other potential conflicts

- Different expectations: “usable information” (e.g. what can be used to fine tune the programme) ↔ whereas evaluators often are (somewhat myopically?) in the first place interested in the validity of their impact estimates
- Make evaluation more useful by uncovering relationship between effectiveness and design aspects

# Some other potential conflicts

- Moreover, policy makers etc. only seem to be interested in impact estimates when these are positive, while negative results often are downplayed or outright neglected
- (apparently?) contradictory conclusions
- Meta-analysis can help



# Remaining questions 1

## Is net effectiveness related to ...

- ...specific groups? What does (doesn't) work for whom and why (not)?
- ...combination of several policies? Order?
- ...timing of intervention ?
- ...labour market institutions?
- ... intensity or “dose” or duration?

# Remaining questions 2

## Is net-effectiveness different between ...

- ...public versus private provider?
- ...local versus national programme?
- ...favourable and unfavourable business cycle conditions?
- ...short run and long run ? (locking in?)
- ...sample in evaluation study, and future participants?  
(external validity)

- Thus far: effect on participants
- But also :
  - Effect on non-participants? Substitution, displacement, dead weight loss,.....;
  - General equilibrium effects
  - Effects on employment, unemployment, productivity, matching effectiveness, ....
- Very important, yet a lot of uncertainty