

Experimental evidence on the nature of the Danish employment miracle, v.2

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Overview

- Introduction
- The 1st experiment (2005-6)
- The 2nd experiment(s) (2008)
- Discussion

- The current unemployment rate in Denmark is 4.1% (national def.), up from 1.6% in July 2008, down from 12.4% in 1994
- Structural unemployment estimated at 3.5%, down from 9% in 1994.
- This success is largely attributed to the Flexicurity model, in particular the ALMP component

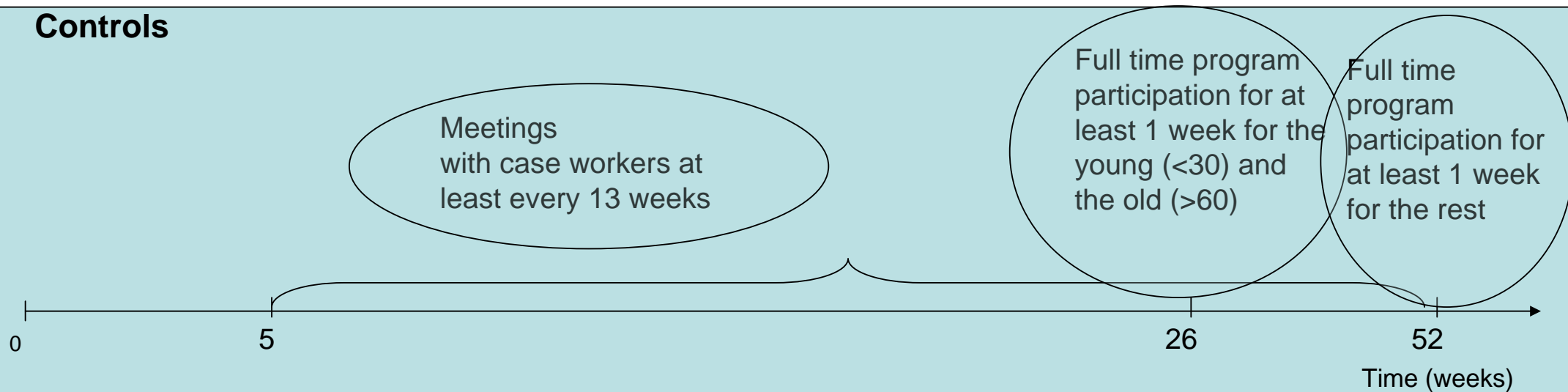
Flexicurity

1. **Flexibility**
2. **Security**
3. Active labour market policies ensure availability and qualifications
 - Flexibility and security components were also present in 1980s
 - Law on active labour market policies, 1994

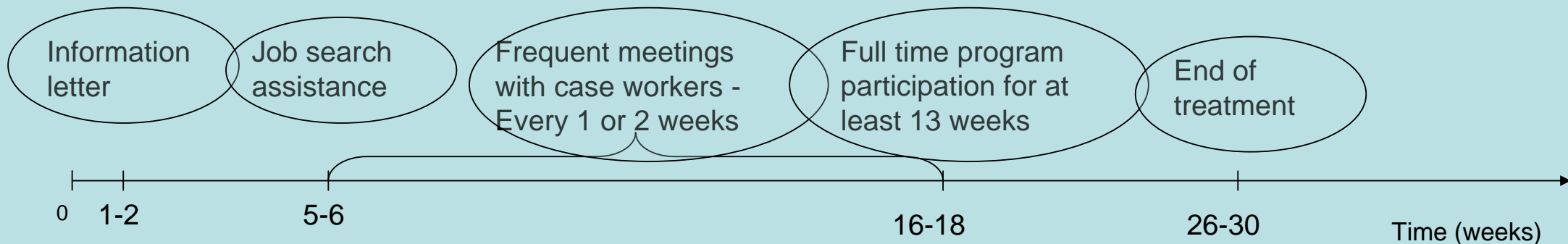
- Conduct experiments to investigate if intensive ALMPs affect exit from unemployment for *newly unemployed workers*
- (a 3rd experiment shows absolutely no effects for long term unemployed workers)

The 1st experiment (2005-6)

Controls

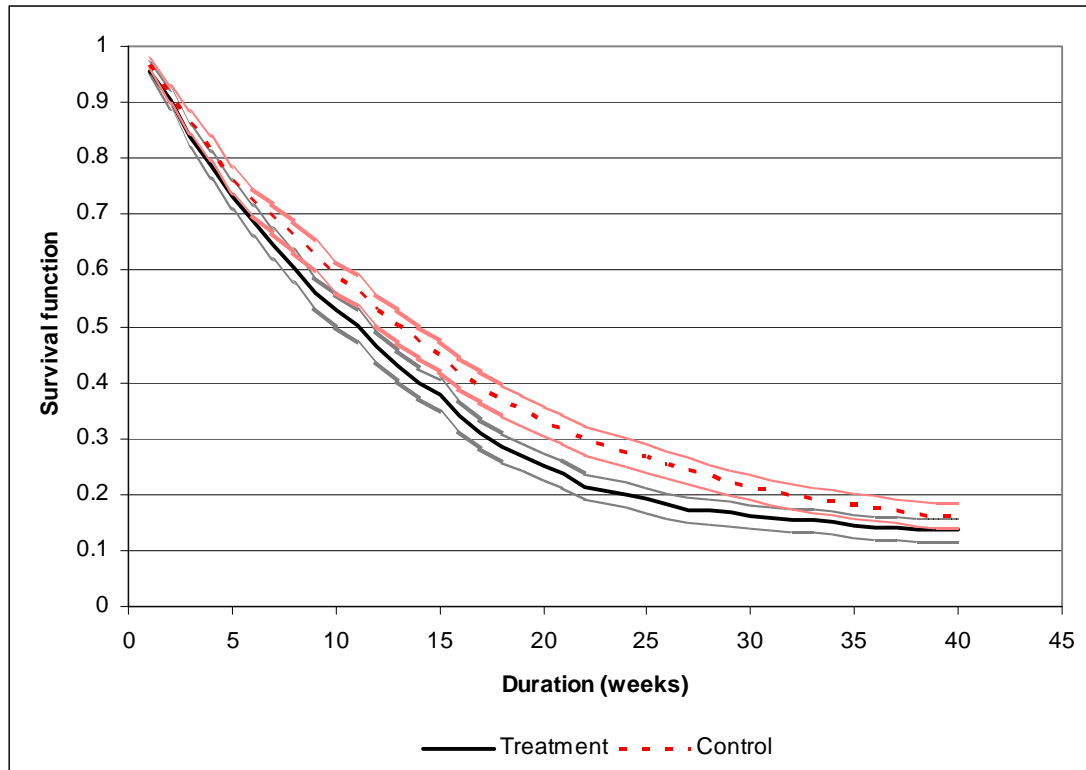


Treatments



The 1st experiment (2005-6)

Figure 1. Survival function, Storstrøm county



The 1st experiment (2005-6)

- The implied reduction in expected unemployment duration (given it is shorter than 47 weeks) is in both regions **2.2 weeks**
- A CBA conducted by The Danish Economic Council (2007) shows net benefits of about 2000€ per unemployment spell
- BUT... it would be interesting to know more:
 - what worked, when (in the unemployment spell) did it work, and for whom did it work?

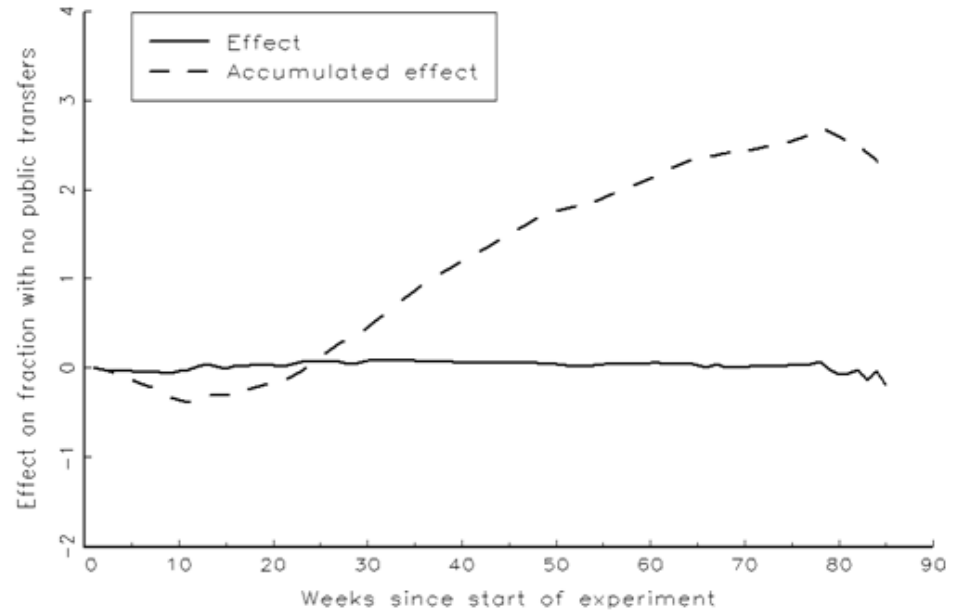
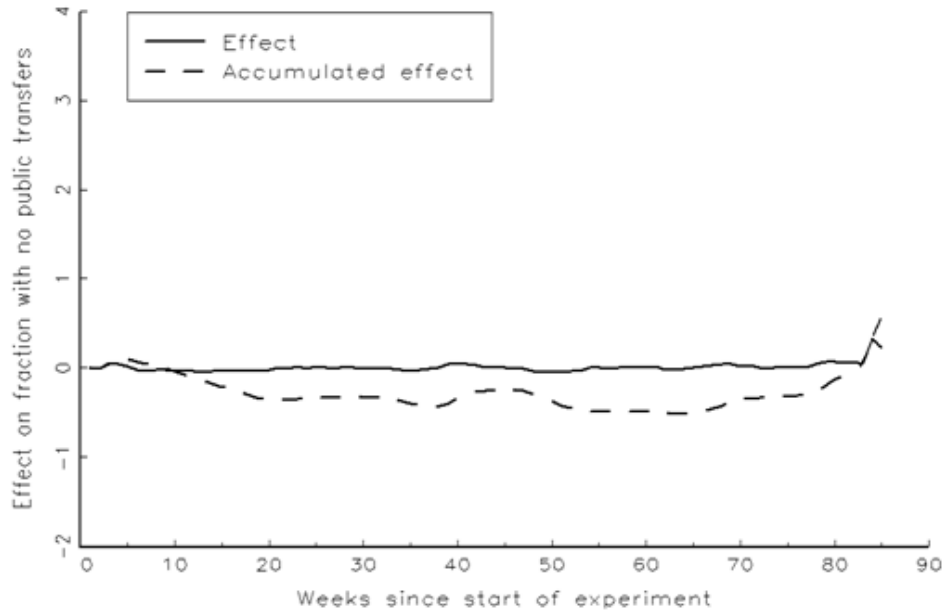
The 2nd experiment(s) (2008)

Table 1. Overview of experiments

Experiment	Content	Region	Jobcentres
A	Group meeting once every 2 nd week	Northern Jutland	Frederikshavn, Brønderslev, Hjørring
B	Individual meeting w. case worker each week	Copenhagen & Sealand	Holbæk, Roskilde, Gribskov, Ishøj-Vallensbæk, Vordingborg
C	Early activation (after 13 weeks)	Mid Jutland	Aarhus
D	Early activation and group meeting every 2nd week	Southern Denmark	Esbjerg, Vejle

The 2nd experiment(s) (2008)

Figures 2a, 2b. Accumulated effects of group meetings (A),
men women

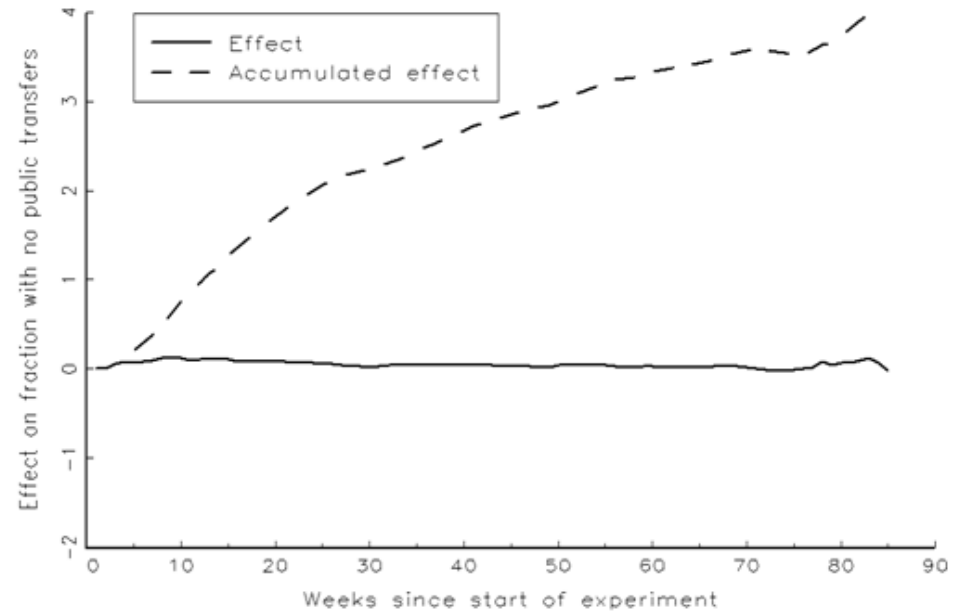
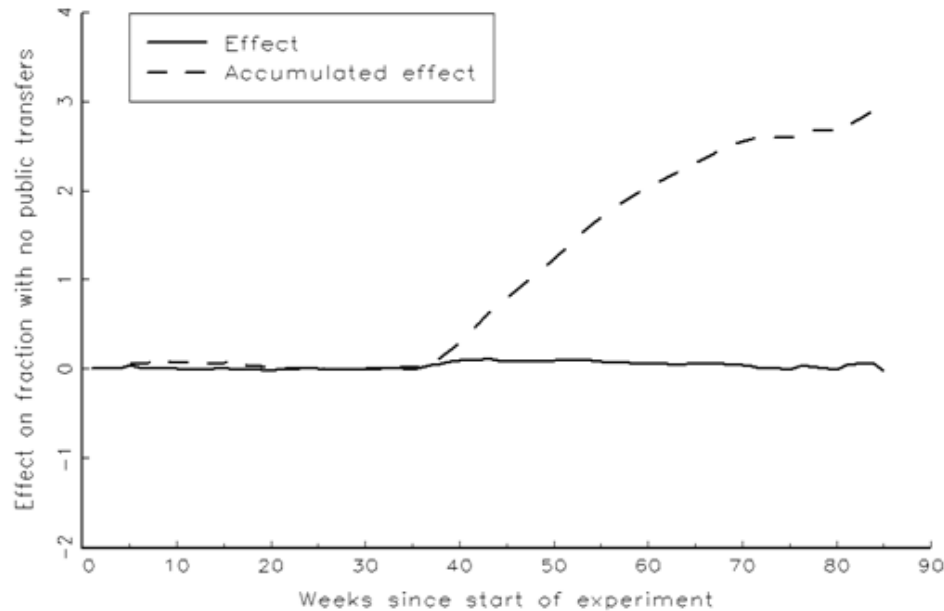


The 2nd experiment(s) (2008)

Figures 3a, 3b. Accumulated effects of individual meetings (B),

men

women

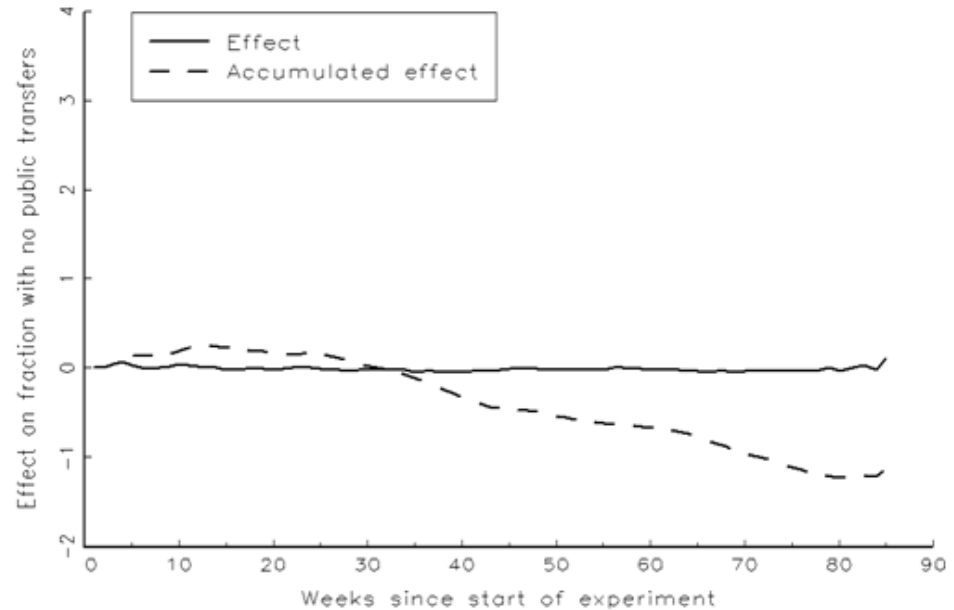
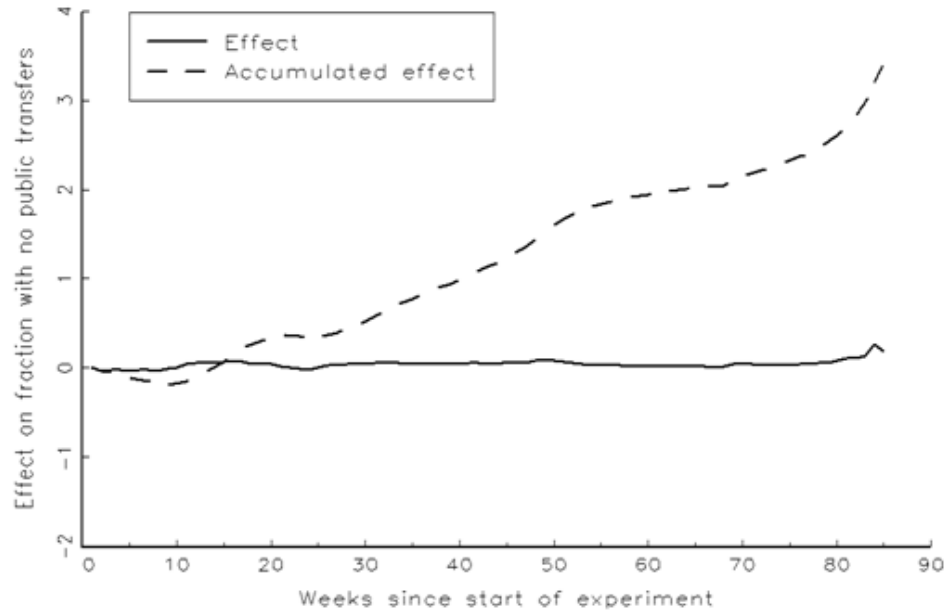


The 2nd experiment(s) (2008)

Figures 4a, 4b. Accumulated effects of early activation (C),

men

women

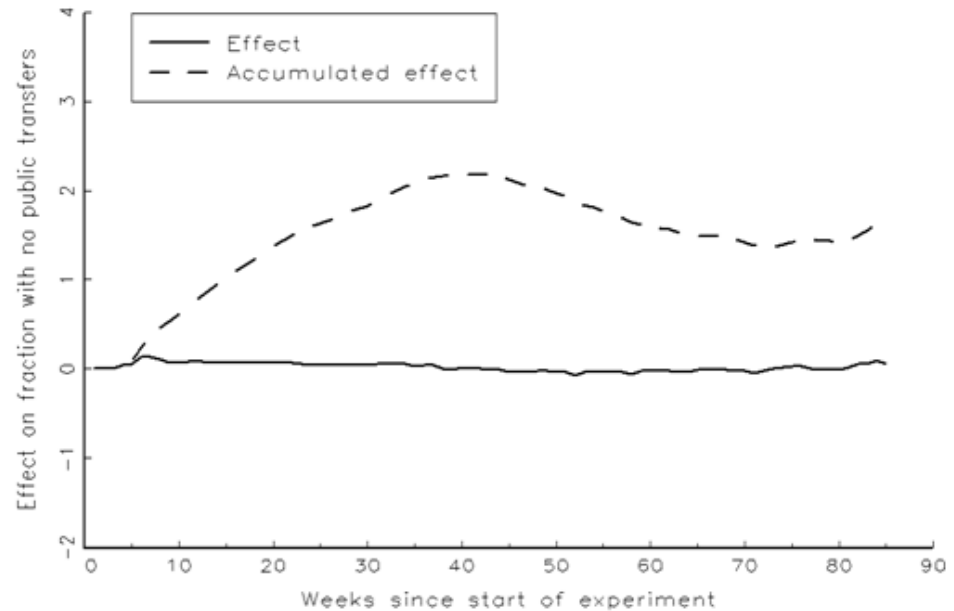
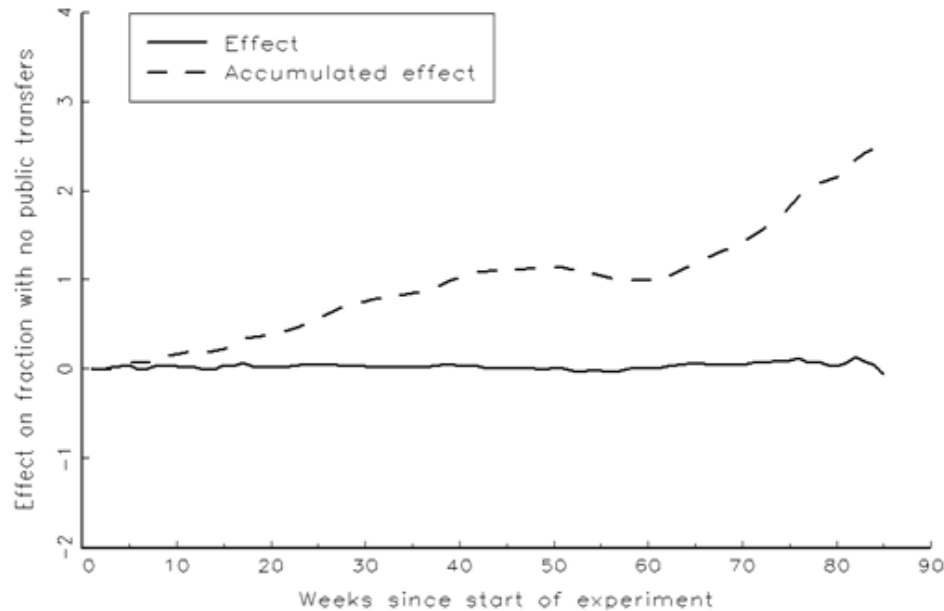


The 2nd experiment(s) (2008)

Figures 5a, 5b. Accumulated effects of group meetings AND early activation (D),

men

women



- An intensive active labour market policy has large effect on exit rates from unemployment
 - Suggests previous intensifications 1994-2003 are responsible for drop in structural unemployment
- Women are positively affected by meetings
- Men are positively affected by (the threat of) early activation
- WHY???