
macroeconomía del desarrollo

Active labor market programs for the integration of youths and immigrants into the labor market. The Nordic experience

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Santiago, Chile, November 2008



SESENTA AÑOS CON AMÉRICA LATINA Y EL CARIBE

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United Nations Publication

ISSN printed version: 1680-8843

ISSN online version: 1680-8851

ISBN: 978-92-1-121687-5

LC/L.2984-P

Sales No.: E.08.II.G.90

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Printed in United Nations, Santiago de Chile

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Abstract

The purpose of this study is to survey the evaluation literature on active labor market programs (ALMPs) in the Nordic labor market in order to provide a general overview of the success and failure of different types of ALMPs as well as a more detailed account of the Nordic experience with targeted programs towards vulnerable groups such as unemployed youth and immigrants. The consensus in the evaluation literature is that the types of ALMPs that are efficient in reducing unemployment duration and increasing employment chances for the unemployed in general are also the most efficient for vulnerable groups. Programs that more closely approximate regular employment such as those provided by wage subsidized employment programs yield the most unequivocally positive results for subsequent employment outcomes. In addition, intensive contact and counseling with Public Employment Service (PES) caseworkers is found to be effective for vulnerable groups. Several studies suggest that the latter is a program effect per se and not due to threat effects for unemployed youth and immigrants, perhaps due to less negative perceptions concerning intensive contacts with the PES among vulnerable groups in comparison to other unemployed groups. Intensive contacts with the PES may also promote better matches between individual training needs and actual training programs as well as compensate for relatively less developed networks and employer contacts among unemployed youth and immigrants.

I. Introduction

The Nordic countries have a relatively long tradition of active labor market programs (ALMPs) aimed at improving the employment prospects of unemployed workers. Sweden in particular has long been seen as a pioneer of active labor market interventions with policies dating back to the late 1930s, although the bulk of ALMPs were implemented and developed in the 1960s. Spending on ALMPs peaked in 1994 at the height of the Swedish recession during the early 1990s when unemployment rates soared to unprecedented levels. At this time, spending on ALMPs accounted for more than three percent of GDP and more than five percent of the population participated in ALMPs. Spending on ALMPs within the Nordic countries has, to this day, continued to be relatively large by international standards. See Table 1 for a comparison of Nordic public expenditures on ALMPs to average OECD levels¹. Due to the long history of active interventions in the labor market, the Nordic experience of ALMPs is of tremendous interest to policy makers around the world. A large number of evaluation studies have been carried out on Nordic ALMPs examining the effectiveness of these programs in, above all, reducing unemployment duration and increasing transition rates to regular (unsubsidized) employment. Recently, a number of evaluation studies have focused on ALMPs specifically targeted towards vulnerable groups, in particular unemployed youths and newly-arrived immigrants. This report will survey this literature in order to provide a general overview of the success and failure of different types of ALMPs, and a more detailed account of the Nordic experience concerning targeted programs towards vulnerable groups.

¹ See also Table A1 in the Appendix for public expenditure on ALMP in OECD countries from 1998-2005(6).

Table 1
PUBLIC EXPENDITURE ON LABOR MARKET PROGRAMS, 2005

(As percentage of GDP)

	Active Labor Market Programs (ALMP)	Passive Labor Market Programs (PLMP)	Total Expenditures	Average Expenditure on ALMP (1998-2005)
Denmark	1,74	2,51	4,26	1,91
Finland	0,89	1,90	2,79	0,94
Norway	0,75	0,87	1,62	0,72
Sweden	1,32	1,20	2,52	1,68
Nordic Average	1,10	1,62	2,80	1,31
OECD Average	0,64	0,97	1,66	0,69

Source: OECD data base on Labor Market Programs.

Notes: ALMP includes expenditure on Public Employment Services (PES) and administration, job rotation and job sharing, training, employment incentives, supported employment and rehabilitation, direct job creation and start-up incentives. PLMP includes out of work income maintenance and support as well as early retirement.

Active labor market policies in the Nordic countries are aimed at the unemployed in general and not at specific sub-groups of the unemployed. There are exceptions to this general rule and a number of well-defined sub-groups have been identified as in need of specific targeted programs. In the Nordic countries, these include youths, immigrants (in particular newly-arrived immigrants), the long-term unemployed and the disabled. Women are not a targeted sub-group in any of the Nordic labor markets, presumably due to high female labor force participation rates in the these countries precluding consideration of women as a vulnerable group, though the prevalence of part-time labor is considerably larger for female employees than male employees in the Nordic countries². This report will therefore focus primarily on evaluation studies of targeted ALMPs towards two vulnerable groups only: unemployed youths and (newly-arrived) immigrants. However, a recent interest in the differential effects of ALMPs on various sub-groups of the population has increased the number of evaluation studies that take into account heterogeneous effects of program participation. As such, this report will also highlight, where relevant, evaluation studies taking into account differential effects of general ALMPs by gender, age and immigrant status.

The evaluation studies surveyed in this report are limited to so-called “third generation” evaluation studies, that is to say, studies using mature econometric methods to assess causal effects of ALMPs on relevant outcome variables, typically unemployment duration and transitions to employment³. Therefore, only the more recent evaluation literature, from approximately the turn of the century, is considered with few exceptions. Although this literature uses advanced econometric methods to convincingly determine causal effects, few are based on experiments, the undisputed gold standard of evaluation studies. An ideal experimental set-up with random assignment into treatment and control groups should be viewed, on a conceptual level, as the benchmark for all other studies of causal effects. In addition, experimental evaluation studies are powerful policy tools due to their more convincing identification of treatment effects. Results from such experiments should therefore be especially noted.

² Female labor force participation rates were above 80 percent in all Nordic countries in 2004. Part-time shares were 24 percent in Denmark, 15 percent in Finland, 33 percent in Norway and 21 percent in Sweden (Bergemann and van den Berg, 2007).

³ According to the terminology introduced by Kluve (2006), first-generation studies concern early ALMPs where access to data was limited and econometric methods undeveloped while second-generation studies are characterized by more developed and varied ALMPs with better data and expanding knowledge on how to assess causal effects. Third generation studies use advanced econometric methods to convincingly identify the causal effects of program participation in ALMPs.

Finally, the overview presented here focuses on microeconomic evaluation studies that assess individual effects of program participation. The macroeconomic evaluation literature studying the aggregate effects of ALMPs such as displacement effects, substitution effects and the impact on labor force participation and/or wage setting is small and will be mentioned in brief only. Note that in the Nordic countries and Europe, the microeconomic evaluation literature tends to focus on unemployment duration or transitions into employment. This is different from the US evaluation literature which has traditionally been more concerned with income and earnings but is in line with the primary goal of Nordic labor market policies in reducing unemployment rather than combating poverty (Kluve, 2006)⁴.

This report continues with a short description of the institutional framework for ALMPs in the Nordic countries. Section 3 provides an assessment of the recent overview literature on ALMPs in general, followed in Section 4 by a survey of the recent Nordic evaluation literature. Section 5 describes the evaluation literature on Nordic ALMPs targeted toward unemployed youth while Section 6 surveys Nordic programs targeted towards immigrants. Finally, Section 7 summarizes the results of this overview.

⁴ This report is also primarily based on evaluation studies in the Nordic countries available in English with some exceptions for the Swedish and Norwegian literature on youth and immigrant ALMPs. Iceland and the Faroe Islands are not included in this overview.

II. Nordic active labor market programs – The institutional framework

There are many types of active labor market programs and the institutional and administrative framework varies across the Nordic countries, as briefly outlined in Table 2. Common for the Nordic labor markets is that unemployment insurance (UI) benefits are contingent on enrollment in the Public Employment Services (PES), active job search and when relevant, participation in active labor market programs offered by caseworkers at the PES. Failure to comply can lead to sanctions implying a lowering of UI benefit compensation or, eventually, complete withdrawal of UI benefits⁵. In Denmark, Sweden and Finland, unemployment insurance is voluntary, based on membership in various UI funds, while in Norway membership is mandatory and covers all employed taxpayers. Stipulated benefit levels are typically high, at least initially and up to a ceiling⁶. The national PES is responsible for administering ALMPs, counseling job seekers and overseeing UI compensation including sanctions for non-compliance. Municipal authorities are instead primarily responsible for measures aimed at the unemployed on social assistance or sickness benefits.

⁵ In Sweden, sanctions include a 25 percent reduction of UI benefits for eight weeks the first time a job or program offered by the PES is rejected, by 50 percent the second time an offer is rejected and complete withdrawal of UI benefit compensation the third time an offer is rejected.

⁶ In 2005, unemployment benefits were as follows, 90 percent of income from work for five days a week in Denmark, 80 percent of income from work in Sweden with a reduction after the first 100 days, 62.4 percent of income from work in Norway and an income-related benefit in Finland which yields on average 58 percent of previous income from work in Finland (NOSOSCO, 2005).

Table 2
NORDIC ACTIVE LABOR MARKET POLICIES

	Denmark	Finland	Norway	Sweden
Short history	First ALMPs introduced in the 1980s		First ALMPs introduced in the early 1980s	ALMPs date back to late 1930s, often attributed to ideas of trade union economists Rehn and Meidner
Target group	Unemployed for at least one year. 18 years and older	Unemployed, 18 years and older	Unemployed, age limit depends on measure in question	Unemployed, age limit depends on measure in question
Stipulations	Mandatory enrollment in PES. UI recipients must participate in ALMPs after 12 months of unemployment. During the first 12 months only obligation is active job-search	Mandatory enrolment in PES, job ready and have not yet been offered ALMP or job. Training allowance for labour market training of adults or voluntary study. Job alternation payment for those on job alternation leave	Mandatory enrollment in PES, active job-search and when relevant, participation in ALMPs offered by the PES	Mandatory enrollment in PES, be able to take a job immediately, active job-search and participation in ALMPs offered by the PES
Specific target groups	Unemployed youth (under 25). ALMPs after 6 months of unemployment, entitled and obliged to offer of training/education of 18 months	Since 1997, all unemployed youth, under 25. Some training programs aimed at other target groups such as the long-term unemployment, immigrants and the elderly	Long-term unemployed, immigrants, youth disabled and long-term recipients of social security benefits	Unemployed youth (20-24 years old), newly arrived immigrants, long-term unemployed and disabled. Activation guarantee for those at risk of becoming long-term unemployed incl. youth guarantee
Main activation measures	Job training and education	Vocational labor market training and public sector job creation	Vocational labor market training and Public employment services/administration	Labour market training and public sector job creation
Recent Reforms	1994: Labor market reform. Renewal of UI benefits through ALMP participation abolished. Maximum duration of UI benefits reduced to 4 years	1997: Renewal of UI benefits through ALMP participation abolished. 1998: subsidized employment focused on the long-term unemployed only	2003: Maximum duration of UI benefit reduced to 2 years	2001: Renewal of UI benefits through ALMP participation abolished. Maximum duration of UI benefits limited to 300 days

Source: Own compilation.

Each Nordic country employs a large number of different and varying ALMPs and a full account of these many programs is beyond the scope of this report. In general, ALMPs fall into four broad categories. *Labor market training* – programs aimed to enhance the human capital of participants which can be in the form of classroom vocational training, computer training, and subsidized participation in more general training such as within adult education programs or university educations. *Subsidized (wage) employment*- wage subsidies to primarily private firms and self-employment grants, but may include subsidized on-the-job training and work experience programs. *Direct job creation*- public sector job creation often aimed at the long-term unemployed or youth. *Public employment services (PES) and sanctions* include all measures aimed to improve the efficiency of the job search process, i.e., individual counseling, matching of vacancies to job seekers, monitoring of job-search efforts, job clubs as well as registration of unemployed job seekers and administration of sanctions due to non-compliance of stipulations required for UI benefit compensation. Some of the activities provided by PES such as interview training and CV

writing courses can be viewed as a form of labor market training. Table 3 provides an overview of recent unemployment statistics for the Nordic countries and the percentage of the labor force enrolled in different types of active labor market programs. Statistics are shown by gender and age-group⁷.

Table 3
UNEMPLOYMENT RATES AND ALMP PARTICIPATION, 2005

	Denmark	Finland	Norway	Sweden
Average Unemployed (% of labor force)				
Total	5,0	8,5	4,6	6,0
Men	4,6	8,3	4,8	6,2
Women	5,5	8,7	4,4	5,7
16-24 year olds	8,6	20,1	12,0	14,3
Men	8,5	20,6	11,5	15,9
Women	8,8	19,5	12,0	12,7
Activated (% of labor force)				
Total	2,5	3,0	0,5	4,1
Subsidized employment	1,2	1,3	0,1	1,9
Education and training	0,7	1,1	0,2	1,3
Other	0,6	0,6	0,2	0,9
16-24 year olds	2,1	5,0	1,3	-
Subsidized employment	0,7	1,4	-	-
Education and training	0,4	1,4	-	-
Other	1,0	2,3	-	-

Source: NOSOSCO, 2005.

⁷ See also Table A2 in the Appendix for unemployment rates by country, age and immigrant status 1990-2007.

III. What do we know? A Review of the overviews on ALMPs

Before turning to a review of Nordic active labor market programs, it is of interest to first summarize the European/OECD experience with ALMPs described in a number of recent overview studies. Kluve (2006) provides an overview of European programs, Martin and Grubb (2001) of the OECD experience, White and Knight, (2002) of youth programs and Bergemann and van den Berg (2007) of the impact of ALMPs on women⁸.

Surveys of the European and OECD evaluation literature indicate that of the four main types of ALMPs described above, wage employment subsidies yield the most consistently positive results in terms of improved employment probabilities, both in the short and long-term, though the majority of studies focus on short-term effects. The down side, as pointed out in several studies, is that wage subsidies also yield potentially large displacement effects, i.e., crowd out regular labor demand or lead to dead-weight effects, that is to say, hires that would have occurred even in the absence of subsidies. The consensus in the literature is that more effective wage subsidy programs therefore need to be tightly targeted to specific groups of the unemployed and employer behavior closely monitored (Martin and Grubb, 2001).

Generally positive effects of start-up grants have also been found, especially for men with relatively high education levels to begin with, but the number of evaluation studies on start-up grants is too few to draw any hard conclusions.

⁸ See also Heckman et al. (1999) for an earlier overview of US and European studies, Kluve & Schmidt (2002) for an overview of earlier European evaluation studies, Martin (2000) for earlier OECD program evaluations and the Swedish Economic Policy Review special issue on active labor market policies (Holmlund, 2001).

Training programs, which have historically been the most widely-used form of ALMP in Europe and the OECD, show mixed results on employment and earnings depending on country, time-period and target group⁹. The evaluation studies noting positive effects of training programs on post-program employment rates also noted that these effects are modest at best. In addition, labor market training programs have been found to yield considerable lock-in effects with diminished job-search activity during participation in the training program. Once these effects are taken into account, the net effect on employment is often very small. The most discouraging results were noted for youth programs where few studies found positive effects of training programs on youth employment rates. Where successful, training programs were characterized by strong ties to employers, often via on-the-job components of the training, and led to qualifications that were recognized and valued by employers. The consensus in the literature is that effective labor market training programs need to be kept small in scale and scope (Martin and Grubb, 2001).

As job creation programs in the public sector expanded greatly during the recession of the early 1990s, many evaluation studies have been devoted to assessing the impact of these types of programs on subsequent employment rates. Few of these studies indicate any positive effects of job creation programs on employment probabilities in the regular labor market. Due to the poor results of these programs, average spending on job creation programs has decreased over time in the OECD countries. However, as noted in several studies, these types of programs may be motivated for other reasons than their efficacy in reducing unemployment, for example due to equity concerns, in order to prohibit social exclusion or to decrease discouragement effects. In addition, job creation programs have often been used as a work requirement for continued UI benefit compensation.

Services provided by the Public Employment Services (PES) have been found in several studies to have a positive impact on employment (Kluge, 2006). Interestingly, the activities provided by the PES such as counseling, monitoring of job-search efforts and intensive job-placement services, have been assessed in experimental studies providing convincing causal treatment effects of participation. The consensus in this literature is that these activities are generally found to increase subsequent employment probabilities either due to program participation per se or due to so called threat effects, i.e., an increase in job search efforts or a reduction in reservation wages in order to avoid participation in ALMPs or increased monitoring by the PES.

The overviews provided by Kluge (2006) and Martin and Grubb (2001) suggest that programs aimed at disadvantaged youths have rarely been effective in increasing employment probabilities. Regardless of the specific type of activation measure included in the numerous youth programs that have been evaluated, little success has been noted in improving the employment prospects of disadvantaged youths. Given the poor success of youth ALMP, both of these overviews note that researchers (from especially Canada and the USA) are increasingly calling for early interventions, perhaps as early as during early childhood education, while also highlighting the importance of sustained interventions over longer periods of time¹⁰.

The White and Knight (2002) overview focusing specifically on youth AMLPs in the US and Europe provides a slightly more positive picture of the influence of ALMPs on youth unemployment than that noted in Kluge (2006) and Martin and Grubb (2001). In particular wage subsidy programs have been found to lead to significantly increased entry into employment. Evidence from the UK on the “New Deal for Young People” (NDYP), for example, shows that participants in wage subsidy programs significantly increased average entry levels into employment relative to those within the NDYP who did not participate in the wage subsidy program. Results from the NDYP also suggest that PES services (job search assistance) and sanctions were effective in increasing employment probabilities (White and

⁹ OECD countries devoted 23 percent of total public spending on active measures towards training programs in 2000 (Martin & Grubb, 2001).

¹⁰ See for example Currie (2001) and Heckman and Lochner (2000)

Knight, 2002). We will return to a more detailed survey of the recent evaluation literature on youth active labor market programs in the Nordic labor market in Section 5 below.

In addition to reviewing the European evaluation literature, Kluve (2006) provides a meta-analysis of these studies in order to obtain a quantitative assessment of the factors associated with successful ALMPs. Each observation in the meta-analysis is constructed to correspond to the evaluation of a particular program in a particular country¹¹. Each observation therefore records the type of program, the study design (experimental/non-experimental), the institutional context, the macroeconomic conditions of the country while the specific ALMP was in place and the outcome (positive, negative or zero). In total, the meta-analysis was based on 137 observations, providing a systematic analysis of the types of ALMPs that were successful in a European context.

The results from the meta-analysis clearly indicated that private sector wage subsidies and public employment services and sanctions had significantly higher probabilities of yielding positive treatment effects in comparison to training programs. These programs were associated with 30-40 percentage point higher probabilities of positive treatment effects in comparison to training programs. Job creation programs in the public sector, on the other hand, were associated with 30-40 percentage point *lower* probabilities of positive outcomes. Youth programs were also associated with *lower* probabilities of positive outcomes (35-50 percentage points lower). The meta-analysis also showed that once the type of program was taken into account, there was little systematic relationship between program effectiveness and other contextual factors, though some evidence indicated that evaluations based on experimental set-ups were less likely to yield positive results than non-experimental methods suggesting that studies based on non-experimental methods may yield biased results¹².

Although active labor market programs, at least in the Nordic countries, do not specifically target unemployed females, the possibility of differential effects of ALMP participation by gender has been recognized in the evaluation literature. Many studies therefore now incorporate more systematic analyses of heterogeneous effects for various sub-groups including gender. Bergemann and van den Berg (2007) survey this literature for the European countries and find that ALMPs generally have more positive effects on employment outcomes for women than men, especially in countries with relatively low female labor force participation and especially with regards to labor training programs¹³. Similar results were found for job-search assistance programs, subsidies and start-up grants. Monitoring was also found to be effective in enhancing exit rates from unemployment. The magnitude of the effect appears to be similar on average for men and women but the destination differs. Women exit unemployment for non-participation to a larger degree while men exit for employment. Contrary to the generally dismal assessment of job creation programs, these programs were found to have some success in improving female employment rates in countries with high female labor force participation. The authors conjecture that participation in job-creation programs may effectively counteract statistical discrimination against women in these countries (Bergemann and van den Berg, 2007).

¹¹ This implies that one evaluation study can give rise to more than one observation if the study in question evaluates more than one program.

¹² The only institutional factor that appears to have a systematically negative impact on program effectiveness is the presence of employment protection legislation.

¹³ This result is in line with theories suggesting higher labor supply responses for individuals with greater outside options. Here, productivity increases due to training are believed to shift female labor from home and child-care production to market work.

IV. The Nordic experience: The recent Nordic evaluation literature of ALMPs

Table 4 provides a survey of the recent evaluation literature of Nordic ALMPs. Shadowing in the final “Results” column denotes evaluation studies that take into account heterogeneous program effects by gender, age or immigrant status. An overview of this literature confirms that of the various types of ALMPs used in the Nordic labor market, subsidized wage employment in the private sector yields the most unequivocally positive results on subsequent employment probabilities while public job creation programs yield negative or zero results. Several studies also document positive threat effects, that is to say transitions out of unemployment prior to forced participation in ALMPs. One such study based on an experimental set-up in Sweden found that referrals to job-search assistance decreased unemployment duration while referrals to increased monitoring gave no effect. A separate experiment aimed at unemployed youths, however, found no threat effects (Hägglund, 2006a, 2006b)¹⁴. A possible reason for these divergent results is that job-search programs may be viewed more positively by disadvantaged groups such as unemployed youth. Another experiment in Denmark confirms the positive impact of threat effects in diminishing unemployment duration (Rosholm, 2008)¹⁵.

¹⁴ This study will be discussed in greater detail in Section 5 below.

¹⁵ See also Geerdsen (2006), Geerdsen and Holm (2007), Graverson (2004), Graverson and van Ours (2008b) and Rosholm and Svarer (2004).

Indeed, Rosholm (2008) finds no effect from program participation per se, but large threat effects on transitions out of unemployment. Threat effects of Danish ALMPs are therefore thought to be an important element of the Danish (flexicurity) model with high UI compensation, flexible hiring and firing legislation and extensive provision of ALMPs.

Training programs yield mixed results in the Nordic labor market. Several Norwegian studies show positive training effects on post-program earnings and employment probabilities (Lorentzen and Dahl, 2005; Jespersen *et al.*, 2004; Raum *et al.*, 2002a, 2002b; Zhang, 2003). Women and younger participants in particular appear to benefit from training programs. The effects of training programs are also found to be more favorable if job opportunities in the post-program period are favorable (Raum *et al.*, 2002a). This result is in line with the general consensus of the Swedish literature indicating no or negative employment effects of labor market training programs in the early 1990s. During this period Sweden suffered a severe economic depression resulting in a sharp increase in unemployment rates and a large and rapid expansion of labor market training programs. Training programs, especially on a large scale, may therefore have been less effective in a situation characterized by low labor demand, long unemployment duration and an inability to target future labor shortages in the economy (Calmfors *et al.*, 2001)¹⁶. Studies based on the pre-recession time period in Sweden show some positive effects of training programs¹⁷. Two more recent studies on vocational employment training programs implemented after the post-recession period also indicate significant and large positive effects on employment probabilities shortly after program participation (Richardson and van den Berg, 2007) as well as on unemployment duration (de Luna *et al.*, 2008)¹⁸. de Luna *et al.*, (2008) argue that the positive effects of more recent labor market training programs are due to stipulated goals concerning post program employment levels¹⁹, removal of the possibility to renew UI benefits via program participation and better labor market opportunities in general²⁰.

Several experimental studies have analyzed the effect of PES training programs, i.e., programs at the PES offices aimed at improving job search skills for example via courses on how to search for jobs, write job applications/CVs and/or improve interview skills (Graversen and van Ours, 2008a, 2008b; Hämäläinen *et al.*, 2008; Vuori and Silvonen, 2005; Hägglund, 2006a, 2006b). The effect of job-search programs on subsequent employment rates varies across these studies. A Finnish experiment showed no significant long term effects of treatment on employment when results were based on registered information (Hämäläinen *et al.*, 2008). However, a small effect was noted two years after program participation when employment information was instead taken from survey data (Vuori and Silvonen, 2005). A Danish experiment based on random assignment into a broad activation program including job-search courses, intensive counseling and labor training programs, showed large significant effects on transitions to employment (regardless of gender and age). However, these effects were found to be primarily driven by threat effects and intensive counseling and not by job-search programs per se (Graversen and van Ours, 2008a, 2008b).

¹⁶ Results presented in another recent study on training programs in Sweden, based on data from 1996-1998, using structural dynamic modeling of labor supply, found no effect of training on earnings. The authors conjecture that a zero result may be due to the use of training programs prior to 2001 for renewal of UI benefit eligibility (Adda *et al.*, 2007)

¹⁷ See for example Andrén and Gustafsson (2004) who find small positive effects of labor market training programs for natives and immigrants in the pre-1990 recession period but zero-effects for natives and negative/zero effects for immigrants during the recession.

¹⁸ See also Okeke (2005) for a study indicating positive effects on transitions to employment for participants that completed occupational labor market training programs in 2003.

¹⁹ A reform implemented in 1999 states that the goal of occupational labor market training programs is that 70 percent of program participants should be employed 90 days after program completion.

²⁰ Occupational training programs are also found to have larger positive effects than the more general preparatory labor market training programs offered during the same time period (de Luna *et al.*, 2008).

Table 4
EVALUATION OF NORDIC ACTIVE LABOR MARKET PROGRAMS

Study	Type of Program	Target Group	Design	Observation Period	Outcome	Identification Strategy	Results
DENMARK:							
Bolvig, Jensen and Rosholm (2003)	Training, subsidized employment and "other" programs (counseling programs and specially organized programs)	Welfare benefit recipients in Aarhus municipality	Non-experimental	1997-1999	Unemployment duration, post program employment duration	Timing of events model + duration model framework	*Positive effects of subsidized employment programs for post-program employment. *Negative effects of training and other programs. *Insignificant effects for women. *Positive effect of subsidized employment programs esp. for those <25. *Lock-in effects during program participation.. *No effect of ALMPs on subsequent employment duration
Geerden (2006)	Compulsory program participation	UI recipients, 25-47 years old	Quasi-experimental	1994-1998	Unemployment duration	Use two reforms of UI system over time that have shortened time to enforced ALMP participation for renewed UI eligibility	*Employment hazards increase prior to program participation
Geerdsen and Holm (2007)	Compulsory program participation (several programs pooled)	Male UI benefit recipients, 25-47 years old	Quasi-experimental	1994-1998	Unemployment duration	Use a series of reforms that have enforced program participation in return for unemployment benefit entitlement	*Evidence of positive threat effects
Graversen (2004)	Private sector employment programs, public sector programs, training programs and "other" programs	Male welfare benefit recipients, >25 years old	Non-experimental	1994-1998	Unemployment duration	Timing of events + municipal variation in intended timing of events	*Positive but small threat effects on transition from welfare to employment. *Private sector employment programs found to have a positive impact on employment. *Other programs show negative effects due to large lock-in effects.
Graversen and Jensen (2004)	Private sector employment programs relative to other programs	Male welfare benefit recipients, 18-59 years old	Non-experimental	1994-1998	Post-Program Employment rates (12 months after)	Common factor approach taking into account selection effects	*Private sector employment programs yield no effect on employment once selection is taken into account in comparison to other programs.
Graversen and van Ours (2008a)	Job search activities, intensive counseling, training	UI benefit recipients between Nov. 2005 – Feb. 2006, >30 years old	Experimental	2005-2006	Unemployment probabilities at various durations of unemployment	Random assignment into treatment and control groups	*Assignment to mandatory activation program increases the exit rate from unemployment. *Men respond more quickly than women but differences are small.
Graversen and van Ours (2008b)	Job search activities, intensive counseling, training	UI benefit recipients between Nov. 2005 – Feb. 2006, >30 years old	Experimental	2005-2006	Hazard rates out of unemployment	Random assignment into treatment and control groups	*Assignment to mandatory activation program increases the exit rate from unemployment. *Results driven by threat effect and more intensive contacts with PES.

Table 4 (continued)

Jespersen, Munch and Skipper (2004)	Private job training, public job training, classroom training	UI benefit recipients, 18-50 years old	Non-experimental	1995-2000	Employment and earnings	Propensity score matching	*Private job training has positive employment and earnings effects. *In the long run, public training and classroom training also yield positive effects on employment (after 4 years).
Rosholm (2008)	Early and intensive monitoring and ALMP participation	UI benefit recipients	Experimental	2005-2006	Hazard rate from unemployment to employment	Random assignment into treatment and control groups; duration models	*Intensification of ALMPs leads to increases in the exit rate from unemployment by 20-40% *None of the programs (job search assistance, counseling, ALMPs) have a positive effect on exit rates from unemployment *Threat effects, i.e., "risk of activation" and "risk of intensive counseling" have large positive effects on exits to employment.
Rosholm and Svarer (2004)	Wage subsidies, Public sector programs, training programs	Male UI benefit receivers, 25-59 years old	Non-experimental	1998-2002	Unemployment duration	Timing of events model and dependent hazard rate models	*Positive threat effects. *ALMPs found to reduce unemployment duration due to threat effect and not program participation per se.
Westergaard-Nielsen (2001)	New labor market policies from mid 1990s	Unemployed	Non-experimental	1980-1999	Employment probabilities	--	*The reforms introduced in 1994 do not increase employment rates of unemployed due to an increase in reservation wages of the unemployed.
FINLAND:							
Hämäläinen, Uusitalo and Vuori (2008)	Job search training programs	Unemployed	Experimental	1993-2002	Employment probabilities	Random assignment into treatment and control groups	*No effect on post-program employment rates either short-term or long-term (6 years after participation).
Kangasharju (2007)	Wage subsidies	Firms	Non-experimental	1995-2002	Employment levels	Difference-in-difference, matching estimators	*Wage subsidies stimulate employment in subsidized firms
Malmberg-Heimonen and Vuori (2005)	Job-search training, economic sanctions	Unemployed	Non-experimental	1998-2000	Re-employment	--	*No significant effects on re-employment of enforced participation.
Vuori and Silvonen (2005)	Job search training programs	Unemployed	Experimental	1993-1995	Labour market involvement (employment or vocational training)	Random assignment into treatment and control groups	*Significant positive impact of treatment on labor market outcomes (either employment or vocational training), two years after treatment (based on survey data).
NORWAY:							
Lorentzen and Dahl (2005)	Employment programs, training programs and wage subsidies	Social assistance recipients	Non-experimental	1992-1999	Income and employment	Propensity score matching	*Programs combining qualification and work training/qualification and wage subsidies found to have positive effect on income and employment. *Temporary employment programs found to have weak or zero effects. *Wage subsidies have positive effects on income and employment.

Table 4 (continued)

Raam and Torp (2002)	Labor market training	Unemployed adults	Quasi-experimental	1991-1994	Earnings	Use a random comparison group who apply for training but are rejected due to capacity constraints	*Positive effect on earnings of labor market training.
Raum, Torp and Zhang (2002b)	Labor market training	Unemployed adults	Non-experimental	1992-1997	Earnings	Propensity score matching	*Average training effect positive and persistent (five years after participation) esp. for those with prior work experience. *Effects are similar for men and women.
Raum, Torp and Zhang (2002a)	Labor market training	Unemployed adults	Non-experimental	1991-1996	Earnings	Propensity score matching	*Average training effect positive on post-training earnings. *Effect is larger when job opportunities post-training are favorable.
Røed and Raam (2003)	Pooled ALMP	UI recipients, 16-60 years old	Non-experimental	1989-2002	Unemployment duration and transition to employment	Dependent risk hazard model	*Positive effects on employment post-program participation, esp. for women and non-OECD immigrants
Zhang (2003)	Training programs, wage subsidy programs, temporary public employment programs	Unemployed adults, 25-50 years old	Non-experimental	1990-2000	Transition to employment	Competing risk hazard models	*Training programs and wage subsidy programs yield positive post-treatment effects on employment. *Public sector employment programs yield zero post-treatment effect. *Women benefit more than men.
SWEDEN:							
Adda, Dias, Meghir and Sianesi (2007)	Subsidized employment and training programs	Male unemployed, unskilled, 26-30 years old	Non-experimental	1996-1998	Income, time in employment, time in subsidized jobs, time in training	Structural dynamic model of labor supply allowing for selection on observables and unobservables	*Training programs have no beneficial effect on treated (lock-in effects and used to renew UI eligibility). *Subsidized employment improves employment probabilities, increases earnings and increases post-program employment duration but effects are small.
Andrén and Andrén (2002)	Labor market training	Unemployed	Non-experimental	1993-1997	Employment probabilities	Latent index sample selection model	*Small positive effects of LMT for Swedish born. *Initial negative effects for foreign-born, but positive long-term effects
Andrén and Gustafsson (2004)	Labor market training	Unemployed	Non-experimental	Three cohorts: 1984/85, 1987/88, 1990/91	Earnings	Switching regression model	*Positive effect of LMT for Swedish and foreign-born in the first two cohorts. *Zero effects for Swedish born in 1990/91 cohort but negative/zero effects for foreign-born in 1990/91 cohort. *Young adults had negative or low effect of training on earnings. *Men have a better pay-off than women.

Table 4 (continued)

Calmfors, Forslund and Hemström (2001)	PES matching, subsidized employment, labor market training, youth programs	Unemployed	Non-experimental	1980-present	Employment, earnings, unemployment	Survey of evaluation studies	*Limited evidence of PES matching on outcomes. *Training programs found to be ineffective in 1990s, but positive in the 1980s. *Subsidized employment yields positive effects on employment/earnings. *Limited effects of youth programs.
Carling and Richardson (2004)	Vocational classroom training, subsidized work, labor market training	Unemployed adults, 25-54 years old	Non-experimental	1991-1999	Unemployment duration	Proportional hazard model	*Labor market training provided by firms and subsidized work programs have better outcomes than classroom vocational training. *Results similar for immigrants and experienced workers.
de Luna, Forslund and Liljeberg (2008)	Vocational labor market training	Unemployed	Non-experimental	2002-2007	Unemployment duration, employment, income, wages and social assistance	Matching models	*Effects of participation in occupational labor market training programs during 2002-2004 positive for all outcomes studied *Expected unemployment duration for program participants shortened by 20% *Program effects are larger for the less educated and for non-European immigrants
Forslund, Johansson and Lindqvist (2004)	Employment subsidies	Unemployed	Non-experimental	1998-2002	Unemployment duration	Exact covariate matching and instrument variable models	*Positive treatment effect of participation in employment subsidy programs.
Fredriksson and Johansson (2003)	Job creation programs, training	Unemployed	Non-experimental	1993-1997	Transition to Employment	Propensity score matching	*Both programs reduce employment probabilities, have lock-in effects and reduce labor mobility over regions. *Long run effects more negative for job creation schemes.
Hägglund (2006a) (2006b)	Job search activities, monitoring	Unemployed in three Swedish municipalities	Experimental	2004	Unemployment duration	Random assignment into treatment group (enhanced services) and control group (regular services)	*Referrals to job-search assistance decreases unemployment duration. *Referrals to job-search monitoring yield no effect. *No effect on youth unemployment duration (job-search activities).
Hägglund (2008)	Intensive PES activities (job search services, counseling, monitoring)	Unemployed on UI in four Swedish municipalities	Experimental	2004-2006	Yearly income, employment, unemployment duration	Random assignment into treatment and control group	*Follow-up to above experiments finding some long term evidence of reduced unemployment duration for treatment group (exits to both jobs and other destinations). *A combination of job-search activities and increased monitoring resulted in significant threat effects, while monitoring alone resulted in no threat effects. *Hazards out of unemployment significant for treatment group in youth experiments

Table 4 (concluded)

Johansson (2006)	Labor market programs (pooled)	Individuals, 18-64 years old	Non-experimental	1991-2002	Labor force participation	Panel data models	*Long-run effects of flow rates to labor market programs from open unemployment are positive. *Effects are similar for men and women.
Richardson and van den Berg (2006)	Vocational employment training	Unemployed adults, 25-55 years old	Non-experimental	1993-2000	Transition from unemployment to employment	Bivariate duration models	*Large positive effect on exit to work directly after program participation. *When time in program is accounted for, effect on unemployment duration is zero.
Sacklén (2002)	Trainee Replacement Program	Unemployed adults, 20-59 years old	Non-experimental	1994-1996	Employment probabilities	Multiple equation model and maximum likelihood estimation methods	*Participation in trainee replacement program increased long-term employment probabilities.
Sianesi (2001) (2003)	Active labor market programs (pooled)	Unemployed, 18-55 years old	Non-experimental	1994-1999	Employment probabilities, unemployment duration	Propensity score matching	*Program participation increases employment rates for participants. *Participation also allows for re-eligibility to UI thereby increasing unemployment duration for those entering programs at time of benefit exhaustion.

Source: Own compilation.

Note: This is an updated and expanded table of “third-generation” evaluation studies first summarized by Kluve (2006) focusing only on the Nordic countries. Shadowing in the final “Results” column denotes evaluation studies that take into account heterogeneous program effects by gender, age or immigrant status.

V. Nordic youth active labor market programs

The above survey provides a general picture of which types of ALMPs are effective in reducing unemployment and/or promoting transitions into employment in a European/OECD, and more specifically, Nordic setting. We now turn to a description of targeted programs towards unemployed youth in the Nordic labor market as well as a survey of the evaluation literature concerning these programs. Although there are differences in the educational systems between the Nordic countries as well as in the specific types of ALMPs provided by the Public Employment Services, both of which are discussed in greater detail below, a common feature of the Nordic labor market is that provisions to minimize youth unemployment, either through the educational system or through active labor market policy, are by and large publicly organized and publicly provided.

The next section provides a brief description of the educational framework in each Nordic country describing to what degree the educational system, focusing in particular on vocational educations, may facilitate the transition from school to work. This is followed by a section describing the types of targeted labor market programs used in the Nordic labor markets to combat youth unemployment and an overview of the more recent evaluation studies concerning these programs.

1. The Nordic Educational Systems

The educational system in each Nordic country is publicly financed and largely publicly provided. There are private schools, in particular in Denmark and Sweden, where approximately 13 to 10 percent respectively of compulsory school students attend privately run schools, but these schools are publicly financed and subject to the same regulation as the public school system²¹. Compulsory school educations do not differ greatly between the Nordic countries. Denmark, Finland and Sweden have nine-year compulsory school systems while Norway has a ten-year system. At the age of 16, students are no longer obligated to attend school however the vast majority, approximately 90 percent in each country, continues on to upper secondary school (Olofson and Wadensjö, 2007).

Table 5
EDUCATION STATISTICS

	Percentage with upper secondary educations (25-64 year olds); 2005		Percentage upper secondary students in occupational educations, 2004		Percentage with tertiary educations (25-64 year olds); 2005	
	Female	Male	Female	Male	Female	Male
Denmark	80	82	40	55	36	31
Finland	81	77	57	64	39	30
Norway	76	78	55	66	35	30
Sweden	86	82	56	50	34	25

Source: Olofson and Wadensjo, 2007.

At the upper secondary school level (gymnasium or high school) some notable differences in the educational systems between Nordic countries arise. Sweden and Norway have the most similar educational systems in the sense that upper secondary school educations are integrated to include both theoretical (college preparatory) and occupational educations within the same school system. In Sweden, there are two theoretical programs offered, social sciences and natural sciences, and thirteen vocational programs with numerous underlying specializations²². Upper secondary school educations, regardless of type of program, typically last three years and provide the basic qualifications necessary to attend university. Theoretical programs are however structured to provide not only the basic qualifications for tertiary education but also the specific requirements for various university courses and programs²³. In Norway, theoretical programs last for three years while occupational programs last for four to five years, adding two years of apprenticeship training to the initial classroom education. Norwegian students can choose between 12 different national programs. Approximately 60 percent of Norwegian students and 50 percent of Swedish students attend occupational upper secondary school programs²⁴. See Table 5 for education statistics by gender.

Vocational educations in Norway, unlike the Swedish vocational programs but similar to the Danish programs described below, lead to recognized vocational certification. As such students of vocational programs enter the labor market job-ready with recognized skills and qualifications. This is different from the Swedish case where vocational studies are preparatory in nature and do

²¹ Private schools in Denmark and Sweden are not allowed to charge tuition nor are they allowed to charge for work materials or textbooks. The private school reform in Sweden came into force in 1994 allowing for privately run and owned schools under certain restrictions; no entrance requirements or entrance examinations, admission on a first come, first serve basis and no religious requirements beyond those stated in the national school plans. The local municipality transfers budgeted funds, per pupil, to the private school instead of to the local public school system for students who enter the private school system.

²² In the 2008 a trial program with apprenticeship educations at the upper secondary school level was implemented within several vocational programs in Sweden increasing workplace instruction to 50 percent of total instruction time.

²³ For more information, see the Swedish Ministry of Education website in English <http://www.sweden.gov.se/sb/d/10485>

²⁴ For more information, see <http://www.regjeringen.no/en/dep/kd/Selected-topics/upper-secondary-education.html?id=87102> and <http://www.norway.org/education/norwayschoolsystem/secondary/secondary.htm>

not lead to occupational certification. The Ministry of Education in Norway works together with the labor market partners, i.e., the relevant employer organizations and trade unions, to organize and monitor vocational educations and to provide advice and guidance from specialists within over 150 recognized vocational fields. As such, vocational educations in Norway are kept up to date and are adjusted to meet the needs of the labor market.

Unlike Sweden and Norway, vocational and theoretical upper secondary school programs are not integrated within the same school in Denmark. Rather there are three basic types of upper secondary schools; general college preparatory theoretical schools, business or technical schools (also college preparatory) and vocational schools. About 30 percent of compulsory school students choose general theoretical educations, 15 percent business/technical educations and 40 percent vocational educations (Olofson and Wadensjö, 2007). Vocational schools in Denmark intersperse classroom training with workplace/apprenticeship training and are generally 3.5 to 4 years in length. There are seven basic vocational programs oriented towards different sectors of the economy. Similar to Norwegian occupational educations, the labor market partners are very involved in the organization and monitoring of vocational educations in Denmark (Olofson and Wadensjö, 2007). Each vocational program has an advisory board responsible for organizing and developing occupational educations, monitoring the quality of these programs and determining relevant examination requirements. Successful completion of vocational educations leads to recognized vocational certification. Vocational educations in Denmark (as in Norway) therefore aim to produce qualified job-ready entrants to the labor market²⁵.

In Finland, the two types of upper secondary school programs, theoretical and vocational, are organized separately, but both types of schools provide basic qualifications for university studies. Occupational educations in Finland, similar to Sweden, are based primarily on classroom instruction. The degree of workplace instruction within vocational educations is however somewhat larger in Finland with 20 weeks (one term) within the three year program compared to 15 weeks in Sweden. Although vocational upper secondary education in Finland provides all-round basic skills for working life and further studies, these educations do lead vocational certification²⁶.

Finland also operates a separate apprenticeship training system as an alternative to the school-based vocational upper secondary school programs. The apprenticeship program is primarily for those who have already entered the labor market and have some work experience but who are in need of further vocational training²⁷. Apprenticeship training is based on an employment agreement (apprenticeship contract) between the student and the employer that is approved by the education provider. The majority of the training is workplace related. Only 20-30 percent of apprenticeship programs are classroom based. In addition to apprenticeship training, a vocational qualification can be obtained through a competence test administered by a qualification committee.

²⁵ For more information, see the Danish Ministry of Education website: <http://eng.uvm.dk/education/?menuid=15>

²⁶ Starting in 2006, a vocational skills demonstration in the form of a competence test is included in vocational qualifications as proof of having reached the goals specified in vocational educations.

²⁷ For more information, see the Finnish National Board of Education website <http://www.oph.fi/english/frontpage.asp?path=447> and www.edu.fi/english.

2. Targeted ALMPs for youth unemployment in the Nordic labor markets

2.1 Youth ALMPs in Sweden

Sweden has the longest tradition of ALMPs targeted at unemployed youth and we therefore begin with the Swedish case. Unemployed youth are a prioritized group within the Swedish PES. This implies differential stipulations and regulations for unemployed youth concerning ALMPs that are generally open to all unemployed, as well as a number of targeted programs aimed specifically at unemployed youths only. In particular, unemployed youth are considered to be long-term unemployed after 100 days of registered unemployment compared to six months for adults. As the long-term unemployed are also a prioritized group, this implies greater efforts on behalf of PES caseworkers towards the most disadvantaged of the unemployed youths.

Targeted labor market programs towards unemployed youth date back to 1984 in Sweden (Forslund and Nordström Skans, 2006). However, youth programs expanded greatly during the economic recession of the early 1990s. During this period, unemployment among 20-24 year olds increased from three percent in 1990 to a high of 18 percent in 1993. The Swedish government attempted to mitigate this rise in youth unemployment by greatly increasing spending on youth ALMPs. In particular a special program dubbed *youth practice* was established in 1992 which engaged, at its peak in 1993, over 60,000 participants or 10 percent of the 20-24 year old population (Larsson, 2003).

In 1994, a youth early intervention guarantee was established guaranteeing young unemployed (20-24 years old) some form of active labor market program within 100 days of registered unemployment. Unlike earlier programs that were run by the PES offices, the early intervention guarantee was administered by municipal authorities. At this time, the Swedish government decided to decentralize responsibility for youth programs to the municipal level in order to relieve the PES from some of the burden created by high and rising unemployment rates. It was also hoped that a decentralization of youth programs would improve the efficiency of ALMPs by adapting programs to local labor market conditions. Establishment of municipal youth programs was voluntary, i.e., municipals were not required to set up these programs, but a majority of municipalities agreed to provide these programs, formally by signing an agreement with the PES²⁸. Note that responsibility for referrals to municipal youth programs remained under the jurisdiction of the PES.

A number of targeted youth labor market programs have come and gone since the early 1990s. The early intervention guarantee was replaced in 1998 by the youth guarantee program, a municipal program which guarantees unemployed youth some form of intervention within three months of registered unemployment. The specific type of program offered varies considerably across municipalities but should, in principal, be offered to youths on a full-time basis for at least 12 months, be adapted to individual-specific needs and lead to enhanced skills in order to facilitate subsequent employability. Despite these stipulations, treatment varied greatly not only in terms of the specific types of program offered but also duration of unemployment before referral to municipal youth programs, as well as the intensity of efforts by PES caseworkers on behalf of the unemployed (Forslund and Nordström Skans, 2006). The most common type of program within the

²⁸ Unemployed youth in municipalities that did not offer the early intervention program were relegated to the ALMPs offered to all unemployed by the PES.

youth guarantee was some form of youth practice together with labor market training, often in the form of job-search courses (Lundin, 2007; Lundin, 2008; Sibbmark and Forslund, 2005)²⁹.

A specific municipal youth program for the youngest unemployed was also established in 1995 targeting unemployed 18-20 year olds who were no longer enrolled in regular education. The purpose of this program was not only to promote skill enhancement in order to improve employability but also to motivate the youngest unemployed to continue with further (regular) education. Like other municipal youth programs, implementation of this program at the municipal level was voluntary with few regulations at the national level regarding the specific package of measures offered which therefore lead to a wide range of different types of programs and courses across municipalities (Sibbmark and Forslund, 2005).

Over and beyond these targeted youth programs, a large number of ALMPs offered by the PES are also open to unemployed youth who are at least 20 years of age. Some of the more common programs that unemployed youth participate in are work practice programs, job-search and other preparatory courses, labor market training and subsidized wage employment (Lundin, 2007). Program length is typically six months. The main difference between younger and older unemployed age groups is that stipulations concerning duration of registered unemployment before referral to ALMPs is typically shorter for the 20-24 age-groups. Regular wage subsidies, for example, are open to 20-24 year olds after six months of registered unemployment, compared to 12 months for those 25 and over. In 2007, the “regular” wage subsidy program, which had been open to unemployed youth since 2005 allowing for six months of subsidized wage employment, was replaced by a wage subsidy program dubbed the New Start program. This program entitles the long-term unemployed to wage subsidies matching the length of their prior unemployment spell³⁰. For unemployed youths, the New Start wage subsidy is available after six months of registered unemployment for a maximum of 12 months.

Causal effect evaluation studies have been carried out on a number of the youth ALMPs established in the early 1990s³¹. A survey of these studies is provided in Table 6. Youth programs established later have yet to be evaluated³². Before summarizing these studies, it is important to describe the evaluation problem within the Swedish context, which differs from that of many other countries. Typically, identification of causal effects of ALMP participation on labor market outcomes entails a comparison between a treatment group that has participated in a specific program (or a package of programs) and a control group that has not participated *at all*, preferably via random assignment of participants into treatment and control groups (i.e., an experimental setup). In Sweden the evaluation problem instead concerns a comparison of participation versus *delayed* participation, rather than *non-participation*. This is due to the fact that *all* registered unemployed individuals in Sweden are exposed to a wide array of potential programs. The choice for the majority of the unemployed is whether to participate in a program *now* or at a *later* stage of the unemployment spell (continuing in the meanwhile with active job-search). Most long-term unemployed are likely to enter an ALMP sooner or later. As such, the bulk of the Swedish evaluation literature is based on assessing the average effect of joining a given program at a stated time in comparison to not having joined any program up to this time (Calmfors et al., 2001; Sianesi, 2001; Larsson, 2003).

²⁹ The prevalence of work experience programs such as youth practice programs in Sweden may have been a method to circumvent relatively strict labor market regulation. Schröder (2004) in an overview of youth ALMPs in five European countries shows that pure work experience programs were not found in countries characterized by more flexible labor markets.

³⁰ See Lundin and Liljeberg (2008) for a description of the New Start program.

³¹ See also Ackum (1991) for an evaluation of youth labor market training and temporary public relief jobs in the early 1980s.

³² There are numerous descriptive studies on more recently established youth programs. See for example Lundin (2007), Sibbmark and Forslund (2005) and the references therein.

The youth practice program established in 1992 as well as PES labor market training programs eligible for unemployed youth have been evaluated by Larsson (2003). Youth practice consisted of training, work experience or internships in both the private and public sector. The program was targeted towards unemployed youths, aged 18-24, with gymnasium (high school) degrees who had been registered as unemployed for at least four months. Formally, youth practice positions were not to displace regular employment at the workplace and participants were entitled to allocate up to eight hours a week to job-search activities. Youth practice programs were also generally targeted towards those in greatest need of assistance, i.e., the least educated and less experienced among the target group (with the possible exception for those few in this age-group that were entitled to UI compensation and were approaching benefit exhaustion such that assignment into youth programs was crucial for re-qualification of UI benefit compensation). As described earlier, PES labor market training programs were available to all registered unemployed persons, 20 years and older, and included a multitude of different types of courses, both vocational and non-vocational.

Larsson's (2003) evaluation of youth practice programs yields results indicating significant negative effects on employment and earnings in the short-run (one year after program enrollment) and zero effects in the long-run (two years after program enrollment). Youth practice was found to be less detrimental, that is to say less negative for labor market outcomes, than labor market training programs. The impact of both programs was also found to be less negative for women than men. As noted by the author, the failure of youth practice programs may have been due to insufficient planning accruing from their rapid set-up and expansion during the recession of the early 1990s. The failure of labor market training programs, however, cannot be attributed to such start-up problems as these types of programs had been in place prior to the recession, although the specific types of training courses available may have changed over time. Due to the nature of the evaluation problem, the results from this study suggest that it was more, or at least as beneficial, to postpone program participation and remain instead in active job-search for unemployed youth³³.

Carling and Larsson (2005) study the municipal youth early intervention guarantee using three discontinuities to identify treatment effects; age discontinuities (differences between 24 year olds eligible for the youth program and 25 year olds not eligible for the program), municipalities with and without the youth program and differences over time (the early intervention program was implemented in 1998). Although a small positive treatment effect on employment probabilities was found in the short-term (less than 120 days from registration as unemployed), presumably due to threat effects, a negative effect was found in the long-run. On average, therefore, no significant effects of program participation on employment probabilities were found in this study (Carling and Larsson, 2005). In addition, the authors note that only a fraction of the target group in each municipality was referred to municipal youth programs, perhaps reflecting skepticism among PES caseworkers concerning the efficacy of municipal youth programs.

Youth labor market programs are re-evaluated by Forslund and Nordström Skans (2006). Using age-discontinuities which define which package of programs are available for unemployed youth contra unemployed adults (more specifically 24 year olds in comparison to 25 year olds) and matching models, an assessment of the relative efficiency of youth ALMPs is carried out. Results suggest that the package of activities available in youth programs is more effective in shortening unemployment duration in the short-run (120 days after program enrollment) than the programs available for adults. Long-run differences are however insignificant. Assessing differences in the types of programs available to unemployed youth, labor market training is found to be worse than youth practice in the short run. When instead considering income and employment probabilities two years after program entry, training is found to outperform youth practice. This latter result

³³ Youth practice programs were phased out in October, 1995.

diverges from the general consensus of the empirical evaluation literature suggesting that the closer an ALMP is to regular employment the more positive the outcome, but is compatible with a number of studies indicating small but positive effects from labor market training. Note that participants in youth practice programs were placed in both private and public sector jobs implying a possibility that public-sector placements were more akin to job creation programs which have been shown in general to yield poor results in terms of subsequent labor market outcomes.

Forslund and Nordström Skans (2006) also analyze the relative efficiency of municipal youth programs to those provided by the national PES for unemployed youth. Results show that municipal youth programs perform worse than PES programs. Participants in municipal youth programs experience longer unemployment duration, slower hazards to employment and lower subsequent income and employment rates. The authors speculate that the positive effects from PES programs targeting unemployed youth are driven by higher quality job search-assistance and to a certain degree, pre-program threat effects. Exits to regular education are however more common among participants in municipal programs. As mentioned earlier, a specific goal of municipal youth programs targeted towards the youngest age-groups was to increase participation in the regular education system. The results here suggest that municipal youth programs were successful in doing so³⁴.

As mentioned in the overview of Nordic ALMPs, pre-program effects of ALMPs have been studied using experimental methods. Hägglund (2006a, 2006b) evaluates three experiments conducted in three different Swedish municipalities in 2004, one of which targeted unemployed youth. The experiments, based on random assignment into treatment and control groups, were set up to analyze differences in exit rates from unemployment and UI benefit compensation between participants in a treatment group subjected to offers of more intensive ALMPs (intensive job-search courses and/or increased monitoring of job-search activities) to a control group offered regular PES services. The experiment that specifically targeted unemployed youth offered a treatment package that included intensive contacts with PES caseworkers and weekly meetings in group job-search clubs³⁵. Results from hazard models estimating exits from UI benefit receipt indicate no pre-program threat effects for unemployed youths. This may be due to the short pre-program interval (the pre-program notification interval was on average only three weeks) or less negative perceptions concerning intensive contacts with the PES among unemployed youth in comparison to unemployed adults³⁶. Zero threat effects may also be due to intensified efforts in the regular PES services offered to the control group in order to counter high and persistent youth unemployment levels at this time in the municipality.

2.2 Youth ALMPs in Denmark

The Danish case is especially interesting as Denmark, like the other Nordic countries, was hit by a recession in the early 1990s, but unlike the other Nordic countries, youth unemployment rates dropped considerably after 1993 and have remained at relatively low levels thereafter (see Table A2 in the Appendix). A major labor market reform was implemented in Denmark in 1994 due to this period's generally high unemployment rates, with the aim of more quickly and efficiently activating the unemployed. In 1996, the *youth unemployment program* was set up specifically

³⁴ In a cross-country comparison including Sweden, Schröder (2004) suggests that the propensity to intervene in the transition from school to work is strongest in countries with strict labor market regulations especially if barriers to entry are not modified by strong linkages from the educational system to the labor market as is the case in Sweden.

³⁵ This experiment was conducted in the municipality of Östergötland.

³⁶ One of the experiments targeting all UI benefit recipients in the municipality of Jämtland did find significant and large pre-program effects. Increased monitoring of job-search efforts lead to a 46 percent increase in exit rates from unemployment between referral to the program and the start of the program (Hägglund, 2006a).

targeting unemployed, less educated youth who were entitled to unemployment benefits³⁷. The purpose of this program was to motivate young unemployed Danes to either become employed in the regular labor market or to re-enter regular education programs. Those in the target group who at the time had been unemployed for six out of the last nine months were offered 18 months of specially designed vocational education (Jensen, *et al.*, 2003). During program participation, unemployment benefits were cut by 50 percent in order to create incentives to exit for employment or regular education. In addition, refusal to participate in this youth program was associated with a loss of UI benefits³⁸.

The Danish youth unemployment program has been evaluated by Jensen *et al.*, (2003). Unemployment rates began falling after 1993 and youth unemployment rates fell at a faster rate than the national rate. The challenge of this study was therefore to determine if the declining trend in youth unemployment was due to the efficacy of the youth unemployment program or to the strong economic expansion during the second half of the 1990s coupled with the fact that youth unemployment rates in general tend to be more sensitive to business cycle trends.

The youth unemployment program consisted of policies that were geared towards pushing unemployed youth to independently search for work in the regular labor market. After three months of unemployment, youths were required to contact the PES, agree on an activation plan as well as to all of the provisions in the activation plan regarding the types of programs required should the individual remain unemployed after an additional three months (six months in total). The most common activation program after six months of unemployment was 18 months of regular education. Those who did not enter regular education programs were typically assigned to 18 month training programs developed specifically for the youth unemployment program by Danish vocational schools under the jurisdiction of the Ministry of Education (MLP, 1999). Those who joined regular education programs were removed from the PES registers and received regular student benefits. Those who entered the 18 month vocational training program received a cut in unemployment insurance benefits by 50 percent. Non-compliance entailed a complete loss of UI benefits³⁹.

Using a quasi-experimental approach based on the fact that the youth unemployment program was phased in gradually during 1996, a control group of individuals eligible for the program but who did not participate could be identified and compared to a treatment group of individuals that did participate⁴⁰. Results indicate that transitions into regular education were significantly higher for participants in the program. A smaller positive effect was found for transitions into employment. No pre-program threat effects were found in transitions out of unemployment, the positive program results therefore appear to accrue directly to program participation and to a certain degree to sanction effects. All noted effects were however short-term effects and the long term consequences of pushing unemployed youth into education programs rather than open unemployment have yet to be analyzed.

2.3 Youth ALMPs in Finland

Like the other Nordic countries, Finland experienced a severe recession in the early 1990s leading to an increase in public spending on ALMPs. In 1994, reforms were introduced concerning the implementation of active labor market policies and the unemployment compensation system.

³⁷ The program was extended in 1999 to cover all unemployed youth under the age of 25 including those with formal educational or vocational qualifications.

³⁸ For more information about the Danish youth unemployment program see for example the executive summary published by the Mutual Learning Program of the European Employment Strategy (1999).

³⁹ The unemployed who are no longer eligible for UI benefits are relegated to social assistance.

⁴⁰ The evaluation problem is thus akin to that of the Swedish studies, comparing program participation with delayed participation, i.e. participants who will at a later date be offered these programs.

Among other changes, means-tested labor market support was introduced for unemployed persons who had not fulfilled stipulations regarding duration of employment necessary to qualify for UI benefit compensation. In order to promote exits out of unemployment for the group that received labor market support, stipulations regarding active participation in ALMPs were strengthened (Hämäläinen and Ollikainen, 2004).

Three types of programs were open to unemployed youth; wage employment subsidies, labor market training and practical training (the latter, in particular, was targeted towards unemployed youths). Employment subsidies were in the form of both relief work in the public sector (job creation) and wage subsidies in the private sector. Public sector jobs were typically for six months only while private sector jobs were expected to roll over into regular employment. Labor market training consisted of vocational training for one to five months or shorter preparatory (basic skills) training and was mainly targeted at those 20 years and older. The majority of unemployed youth were placed in youth practical training as these programs were linked to the stipulations concerning active participation in labor market programs for those on labor market support. Youth practical training could last for a maximum of 18 months (from 2002 for a full two years) and can be described as a form of on-the-job training with no formal job contract.

Hämäläinen and Ollikainen (2004) provide the first causal evaluation study of youth ALMPs in Finland. Studying the impact of youth programs on future labor market outcomes as well as on education and subsequent participation in ALMP on a broader age group of youths (16-30 year olds), the authors find that both employment subsidies and labor market training were positive for program participants on short-term employment and earnings (up to two years after program enrollment). Labor market training had no long-term impact on employment probabilities while the effect of wage subsidies remained positive and significant for long-term employment and earning (five years after program participation). No significant differences in labor market outcomes were found for participants of youth practical training. This last result is discouraging as the majority of unemployed youths were registered in youth practical training programs and this program was the least expensive of the ALMPs offered to unemployed youths. Finally, both employment subsidies and labor market training had a negative impact on education probabilities in both the short- and long-term. This implies that unemployed youth that did not participate in these programs (the control group) appear to a larger degree to have entered regular education as an alternative route out of unemployment. Interestingly, up to five years after program enrollment, this alternative route appears to be less beneficial in terms of employment and earnings than participation in wage subsidy programs.

Hämäläinen and Tuomala (2007) evaluate the employment effects of a youth vocational training program in Finland, paying particular attention to whether the timing of intervention during an unemployment spell matters. This is an important policy question as legislation aimed at alleviating youth unemployment increasingly calls for early intervention. Indeed, new legislation was introduced in Finland in 2005 requiring that unemployed youth be offered training or work practice within three months of unemployment. Vocational training in Finland typically leads to a formal qualification and is offered to unemployed youth who have formally applied to the PES for admission into these programs. Placement in the vocational training programs is competitive and rejection rates are fairly high at 50 percent (Hämäläinen and Tuomala, 2007). Courses are on average five months long and free of cost. During vocational training, participants receive UI benefits or, if not eligible for UI, labor market support.

Hämäläinen and Tuomala (2007) find that employment probabilities decrease during the course of the program (lock-in effect) but are positive and significant thereafter, 3-6 percentage points higher than non-participants on average. The positive effect on employment however diminishes towards the end of the observation period, approximately four years after program

enrollment. The optimal timing of a vocational training course is found to be between 4-6 months of prior unemployment, slightly longer than the legislation stipulating activation after three months of unemployment. This result suggests a potentially large dead weight loss of early activation due to the fact that young unemployed participants are likely to find work without training during the early stages of unemployment spells.

2.4 Youth ALMPs in Norway

To my knowledge, only one “third generation” causal evaluation study on Norwegian youth programs exists. Hardoy (2005) analyzes a range of youth programs that were available to unemployed youths 16-25 years of age during the recession of the early 1990s. At the peak of the Norwegian recession in 1993, unemployment rates for 16-19 year olds were 18 percent and for 20-24 year olds 12 percent (Hardoy, 2005). Similar to the other Nordic countries, spending on ALMPs increased in accordance during this period. Labor market programs for unemployed youth included *vocational youth programs* aimed at the youngest sub-group (less than 20) combining work experience programs and various on- and off-the-job training programs that lasted for a maximum period of six months. Unemployed youth could also participate in *training programs* which were primarily classroom based courses lasting between one to five months and *employment programs* which included temporary jobs in the public sector (job creation programs) as well as wage subsidized employment in the private sector. Norway also had a *youth guarantee* for those less than 20 years of age giving priority access to ALMPs for those in the target group unable to secure jobs or enroll in regular education. Unlike the other Nordic countries, there was no stipulation requiring unemployed youth to have registered as unemployed prior to being referred to an ALMP. Once enrolled in such a program, participants were however automatically registered at the local PES office.

Analyzing differences in labor market outcomes between youth program participants in comparison to non-participants, Hardoy (2005) finds that only women and the youngest sub-group (16-20 year olds) of unemployed youth appear to have benefited from employment programs in terms of subsequent probabilities for full-time employment⁴¹. Participation in employment programs increased the probability for women of finding full-time employment by 2-3 percentage points and for the youngest sub-group by 5 percentage points. Training programs were found to have no effect on education chances and to be detrimental for subsequent employment prospects for all sub-groups, but in particular for men and the older sub-group of unemployed youth (21-25 year olds). Training programs increased the probability of being unemployed in comparison to non-participants by 6 percentage points. Vocational programs had a small positive effect on education probabilities for women (1.5 percentage points) but large negative effects on full-time employment probabilities for the youngest sub-group by nearly 6 percentage points⁴².

⁴¹ Participants are defined as those with at least one spell of program participation during the first year after initial registration as unemployed. Non-participants are defined as those with one or several registered spells of unemployment during the first year and no spell of program participation.

⁴² See also Hardoy (1994) and Try (1993) for earlier descriptive analysis of youth labor market programs in Norway.

Table 6
EVALUATION OF NORDIC YOUTH ACTIVE LABOR MARKET PROGRAMS

Study	Type of Program	Target Group	Design	Observation Period	Outcome	Identification Strategy	Results
Denmark Jensen, Rosholm and Svarer (2003)	Youth Unemployment Program (YUP)	Unemployed, 16-24 years old with no formal education beyond secondary school	Quasi- experimental	1996	Transitions into schooling and transitions into employment	Time discontinuities, Hazard models	*Implementation of YUP had a signi- ficant and positive effect on transition into education. *Weaker but positive effects of YUP in transition to employment *No threat effects
Finland Hämäläinen and Ollikainen (2004)	Subsidized employment, youth practical training and labor market training (LMT)	Unemployed, 16-30 years old	Non- experimental	1995-2000	Employment probabilities, unemployment, studies, non- participation and income	Propensity score matching	*Subsidized employment significant and positive for employment and earnings both in short term (2 years after program enrollment) and long-term (5 years after program enrollment. *Labor market training positive for employment in the short-term only but positive for earnings in both short and long-term. *Youth practical training has no effect on labor market outcomes. *Wage subsidies and LMT have no significant effects on unemployment, future program participation and non-participation and negative effects on education.
Hämäläinen and Tuomala (2007)	Vocational labor market training	Unemployed, 16-25 years old who became unemployed in 1998	Quasi- experimental	1998-2002	Employment	Matching and regression discontinuity (using age discontinuities)	*Short term employment effects are negative due to lock-in effect of program participation. *Long term effects (up to 4 years after enrollment) on employment positive (3-6 percentage points on average) *Optimal timing of vocational labor market training is 4-6 months of prior unemployment.
Norway Hardoy (2005)	Youth Programs; vocational youth programs, training programs and employment programs	Registered unemployed, 16-25 years old	Non- experimental	1989-1993	Part-time employment (≤30 hours/week), employment, unemployment, education, other	Selection models	*Negative and significant effects of all program types on employment and education *Small positive effects on full-time employment and education of employment and combination programs on female participants *Positive effect of participation in employment programs for youngest sub-group (16-20) *No beneficial effects of program participation for males or the 21-25 age group

Table 6 (concluded)

Sweden Carling and Larsson (2005)	Municipal youth early intervention guarantee (labor market training and work practice)	Unemployed, 20-24 years old	Quasi- experimental	1997- 2000	Unemployment duration	Difference estimator using age and municipal discontinuities	*Slightly increased probability of employment during the first 120 days of unemployment *Negative impact on employment after the first 120 days *Net effect equal to zero of program participation on unemployment duration *In addition, less than a third of the target group was assigned an ALMP within the 100 day guarantee.
Forslund and Skans (2006)	Municipality and PES youth programs	Unemployed, 20-24 years old	Quasi- experimental	1999- 2005	Employment, Earnings, Registration in PES	Age discontinuities and matching methods (propensity score matching)	*Young unemployed (20-24) leave PES registers for jobs faster than adults, a short- term effect due to threat effects or intensified job-search counseling *PES programs outperform Municipality programs, esp. in the long-run *Training programs have worse short-term effects than work practice programs but in the long-run, training programs better for employment and earnings
Hägglund (2006a)	Pre-program Effects of active placement efforts into ALMPs	Unemployed, 18-24 years old in one Swedish municipality	Experimental	2004	Unemployment duration, UI benefit compensation	Random assignment into treatment and control group, hazard models out of registered unemployment	*Referrals to active placement efforts had no effect on pre- program outflow from unemployment registers.
Hägglund (2008)	Intensive PES activities (job search activities and monitoring)	Unemployed, 18-24 years old in two Swedish municipalities	Experimental	2004- 2006	Yearly income, employment status, unemployment duration	Random assignment into treatment and control groups	*No significant mean differences between treatment and control group in the long term (up to two years after experiment) on any outcome. *Positive and significant hazards out of unemployment
Larsson (2003)	Youth practice (YP)and labor market training (LMT)	Unemployed, 20-24 years old	Non- experimental	1992- 1995	Earnings, employment probabilities, transition to studies (regular education)	Propensity score matching	*YP and LMT had negative short-term effects on employment and earnings (1 year after program enrollment). *No statistically significant effect of YP and LMT in the long-run (2 years after program enrollment). *LMT has a negative short-term effect on enrollment into regular education *YP significantly less detrimental to outcomes than LMT. *Effects more favorable (less detrimental) for women than men.

Source: Own compilation.

VI. Nordic active labor market programs for immigrants

The most common form of ALMP for immigrants to the Nordic countries concerns a package of programs for newly arrived immigrants dubbed *Introduction Programs*. In addition, unemployed immigrants are a prioritized group within the PES in several of the Nordic countries implying that targeted measures have been developed to specifically combat high unemployment rates among the immigrant population, regardless of duration of residence in the host country⁴³. Although introduction programs and targeted ALMPs towards immigrants are administered by the public sector (at varying levels) there are private actors involved in improving the employability of immigrant labor, among them private employment agencies specializing in foreign-born labor and international organizations such as the international Red Cross⁴⁴. In addition, municipalities, who are in charge of coordinating and administrating introduction programs for newly arrived immigrants, are free to purchase specific programs such as language instruction or validation of foreign skills/educations from private actors.

Although the specific content of introduction programs varies across the Nordic countries and indeed across municipalities within each country, there are some common features. Introduction programs aim to not only assist immigrants into the labor market via language instruction and labor oriented programs such as vocational training, job-search courses, subsidized employment and validation of pre-immigration

⁴³ See Eriksson (2007) for an overview of immigrant-native labor market gaps in Sweden and policies aimed at diminishing immigrant unemployment.

⁴⁴ In Sweden a notable example of a private employment agency specializing in promoting ethnic diversity in the workplace and the recruitment of foreign-born labor in both the private and public sector labor market is “Blatteförmedlingen” (www.blatteformedlingen.se).

education and work experience, but have also increasingly come to include social orientation courses such as civics and history courses and information about the norms, values and cultural traditions of the host country. Introduction programs are primarily administered by municipal governments but often in conjunction with other actors. In Sweden, for example, the Swedish PES, the Swedish Migration Board, the Swedish Association of Local Authorities and Regions and the Swedish National Association for Education signed a central agreement concerning joint responsibility for introduction programs in 2001. In addition, there are decentralized agreements between the main actors in most municipalities. The decentralized responsibility for introduction programs implies a great deal of heterogeneity in the exact content of introduction programs across municipalities as well as the actors involved in these programs.

Table 7
INTERNATIONAL MIGRATION

	2000	2003	2004	2005	2006
Denmark					
Net migration rate	1,69	1,11	0,93	1,22	1,83
Foreign-born population	5,8	..	..	6,5	..
Finland					
Net migration rate	0,39	1,15	1,34	1,72	1,9
Foreign-born population	2,55	..	..	3,4	..
Norway					
Net migration rate	2	2,41	2,83	3,89	5,15
Foreign-born population	6,8	..	..	8,2	..
Sweden					
Net migration rate	2,82	3,24	2,78	2,99	5,62
Foreign-born population	11,3	..	..	12,4	..

Source: OECD. Net migration rates measured per 1000 inhabitants. Foreign-born population measured as a percentage of total population.

Introduction programs are not offered to all newly-arrived adult immigrants but are primarily aimed at refugees and tied-movers to refugees. In Denmark and Norway, participation in introduction programs is obligatory while in Sweden participation is voluntary (Djuve and Kavli, 2007; SOU 2008). Introduction programs in Denmark and Norway are also connected to stipulations regarding the legal status of permanent residency. In Denmark for example, obligatory introduction courses must be successfully completed before targeted immigrants have permanent rights to residency and full access to social and welfare benefits (Carrera 2006; Djuve and Kavli, 2007; SOU 2008). In all three countries, an individual contract or individual plan between the participant and the municipality is set up, assessing the skills and qualifications of the participant as well as the types of programs necessary for a successful introduction into the country. Participation in introduction programs is associated with some form of remuneration, an *introduction subsidy* which can be withdrawn due to non-compliance or non-participation in introduction programs. All introduction programs are time-limited implying that immigrants are phased over to general labor market programs as well as general social services upon completion of introduction programs.

During the last decade, introduction programs have increasingly come under critique for their inefficiency in promoting the transition from immigration into the country to integration into the regular labor market. Sweden, for example, is ranked number one in the latest Migrant Integration Policy Index (Finland and Norway are also ranked among the top ten) yet consistently ranks among the lowest in the OECD in terms of employment rates for immigrants⁴⁵. Although there are few causal

⁴⁵ The Migrant Integration Policy Index (MIPEX) measures policies to integrate migrants in 25 EU Member States and 3 non-EU countries. It uses over 100 policy indicators to create a rich, multi-dimensional picture of migrants' opportunities to participate in European societies. See <http://www.integrationindex.eu/> for more information.

effect studies of introduction programs, there are innumerable national reports describing and assessing these programs⁴⁶. The consensus in this literature is that introduction programs are plagued by a number of problems including weak ties to the labor market, a lack of cooperation and coordination between the various actors responsible for newly arrived immigrants (in particular the Municipal authorities and the PES), isolated rather than coordinated and comprehensive activities and poor language instruction devoid of more labor-oriented activation measures. The aim of the more recent reforms concerning introduction programs is therefore to re-focus on employment measures that foster a quick transition into the regular labor market. In Sweden, this implies a greater use of the type of programs that have been found to be successful for the unemployed in general as well as interspersing language instruction with more labor-oriented programs rather than the sequential framework that has been in place in many municipalities where successful completion of language instruction is a prerequisite for eligibility to ALMPs administered by the PES.

1. Immigrant ALMPs in Sweden

Despite the fact that introduction programs in Sweden are seen as an important and integral, albeit voluntary, component of the integration process of newly arrived immigrants, as mentioned above these programs have recently come under heavy critique⁴⁷. Introduction programs, which in Sweden target immigrants granted permanent residency due to political asylum (refugee status) or on humanitarian grounds (as well as tied movers arriving within two years of the main applicant) have a dismal track record in terms of employment rates. Only 30 percent of male participants and 20 percent of female participants are regularly employed three years after program enrolment (Board of Integration, 2007a). Based on a survey of immigrants granted permanent residency in 2002, Svantesson (2006) finds that participants of introduction programs have lower employment rates than non-participants two years thereafter in 2004. Svantesson and Aranki (2006) using survey data from caseworkers at the PES to analyze the impact of different activities within introduction programs, find that activities closely tied to regular employment such as trainee programs and internships are associated with higher employment probabilities. Neither of these studies, however, takes into consideration selection into introduction programs or selection into different types of activities within introduction programs implying that no causal effects of program participation can be identified.

In order to combat the numerous problems associated with introduction programs, a trial introduction program was implemented in October 2006 in three Swedish municipalities. The purpose of the trial program was to considerably shorten the time from granted permanent residency to regular employment in the Swedish labor market. The main elements of the trial introduction program included earlier registration of newly-arrived immigrants in the PES (within three months of receiving permanent residency), language instruction parallel with other more labor-oriented activation measures at the PES and intensive counseling by personal PES caseworkers. These caseworkers, recruited specifically for the trial program, were given extra training in order to meet the specific needs of newly arrived immigrants and were, in addition, given considerably lighter caseloads than normally required of PES caseworkers.

In order to properly evaluate the trial introduction program and facilitate a causal interpretation of program participation on a number of outcomes, the trial program was set up as a randomized experiment. Local PES offices in participating municipalities, after determining eligibility into the program, randomly assigned newly arrived immigrants to ordinary municipal introduction programs or to the trial introduction program⁴⁸. An evaluation of this program yields results indicating that

⁴⁶ For an overview of these studies, see Carrerra (2006), Djuve and Kavli (2007) and the references therein.

⁴⁷ See reports from the Board of Integration, (2002), (2004), (2005), (2007b); the Swedish National Audit Office, (2006); Statens Offentliga Utredningar (SOU) (2003); the Swedish Association of Local Authorities and Regions (SKL), (2006), (2007a), (2007b) and Åslund et al. (2007)

⁴⁸ The trial introduction program was therefore set up in a manner that bypasses a number of common problems associated with evaluating labor market programs such as selective participation in the program, differences across municipalities concerning the specific components of introduction programs, differences across local PES offices in terms of experience with newly arrived immigrants and differences in local labor markets.

participation in the trial program lead to slightly higher probabilities of regular employment as well as slightly higher probabilities of being enrolled in subsidized employment programs (Andersson Joona and Nekby, 2007). The effects are however small, participation in the trial program lead to approximately two percentage point higher probabilities of regular employment (likewise for enrolment into subsidized employment programs) than participation in ordinary introduction programs. A larger positive effect of participation in the trial program was noted for enrolment into labor market training programs. Participants of the trial program had a ten percentage point higher probability of entering this type of ALMP than participants in regular introduction programs. Results are short-term effects implying that a follow-up study is necessary to determine the long-run consequences for trial program participants of greater access to above all, labor market training programs, on subsequent employability.

Recently, another PES program was set-up specifically targeting unemployed newly-arrived immigrants⁴⁹. The so called *In Step* program was established in 2007 granting a wage subsidy covering 75 percent of wage costs (up to a ceiling of 750 SEK per day and for a maximum of six months) for individuals who have been granted permanent residency within the last 36 months and who are currently studying or about to commence studying *Swedish for Immigrants* (SFI)⁵⁰. The purpose of the *In Step* program, which has yet to be evaluated, is to speed up the transition into employment for newly arrived immigrants by encouraging both employers to employ immigrants and municipalities to offer earlier language instruction, i.e., soon after granted residency permits⁵¹.

Over and beyond introduction programs, unemployed immigrants are eligible for the same programs available to the unemployed in general. Similar to unemployed youths, unemployed immigrants are a prioritized group within the Swedish PES. This implies that as a group unemployed immigrants are perceived as at greater risk of long-term unemployment and therefore eligible for priority treatment within the PES. The specific goal for prioritized groups is that the proportion participating in ALMPs should be at least equal to the proportion unemployed in this group among the working-age population as a whole. Several studies have shown that the programs found to be most efficient for the unemployed in general are also most efficient for unemployed immigrants. As described in the initial sections of this study, these are the programs that more closely approximate regular employment such as wage-subsidized employment programs in the private sector⁵². Newer such programs include the *New Start* program described earlier, which has attracted a disproportionate number of foreign-born participants (Lundin and Liljeberg, 2008)⁵³.

One of the few ALMPs, targeted at immigrants, which has been subject to a causal evaluation study is the *Special Introduction* (SIN) program (Åslund and Johansson, 2006). The *SIN* program was a trial program set up in 2003 in 20 Swedish municipalities to provide supported employment methods, previously developed for disabled workers, to assist immigrants and refugees who are job-ready but at risk of becoming long-term unemployed. The elements of supported employment include more intensive contacts with personal caseworkers at the PES who in addition were granted considerably smaller caseloads in order to facilitate more active assistance to participants in finding and maintaining jobs. In addition to counseling participants, caseworkers were expected to interact with potential employers in order to facilitate the transition into employment, to assist in resolving any potential initial problems at the workplace and to follow-up developments thereafter.

Åslund and Johansson (2006) in their evaluation of the *SIN* program find that the establishment of supported employment methods in certain municipalities increased transitions from open unemployment to employment by a significant 12 percent. In addition there was a significant and positive increase in transitions from work experience programs to employment in *SIN* communities by

⁴⁹ This program, unlike Introduction programs, is not restricted to refugees and tied-movers to refugees but is open to all newly-arrived immigrants.

⁵⁰ See Kennerberg and Sibbmark (2005) for an overview of the language instruction program Swedish for Immigrants (SFI).

⁵¹ Introduction programs have been criticized for long waiting periods between granted residency permits and activation in municipal introduction programs. The waiting period varies greatly between municipalities.

⁵² See Schröder (2007), Sibbmark and Åslund (2006), Sohlman (2006), Åslund *et al.* (2006); and the references therein as well as the overview of work practice schemes for immigrants by Franzén and Johansson (2004).

⁵³ The *New Start* program entitles the long-term unemployed to wage subsidies matching the length of their prior unemployment spell.

15 percent. As such, supported employment methods may have promoted better matches between individual needs and intermediate ALMPs. In addition, those pushed into work experience programs under the SIN program were promised employment upon completion of these programs. The authors reflect that these positive results may accrue from better counseling and understanding of individual participant needs combined with intensified job-search efforts by caseworkers on behalf of participants. Immigrants in particular may benefit from intensified matching efforts due to this groups relative lack of networks and employer contacts in the host country.

In Sweden there has been a recent interest in the possible role that private employment agencies can play as an alternative to the job matching services provided by the public PES to increase the employment prospects of immigrants. Andersson and Wadensjö (2004) study temporary employment agencies in Sweden and find that immigrants, especially those originating from non-European countries, who on average have the lowest employment rates in Sweden, are overrepresented in comparison to natives⁵⁴. Immigrants are also found to leave temporary employment agencies for other types of employment more often than natives, i.e. do not stay on as temps to the same degree within private employment agencies. These results suggest that immigrants enroll in temporary employment due to a lack of other employment alternatives and that immigrants use temporary employment agencies as a stepping stone into other forms of employment rather than due to preferences for more flexible hours and varying job tasks.

Behrenz et al (2004) study a pilot project carried out in 2000 in a Swedish municipality, with a relatively high proportion of immigrants, where a private employment agency was given extra resources to enroll immigrants and provide the job placement services normally carried out by the PES. The private employment agency within this pilot project was then compared to two PES offices, in other immigrant dense municipalities, one of which also received extra resources in order to provide greater services to immigrants. Results from this study suggest that private employment agencies were not more successful than the PES in securing employment for unemployed immigrants. To date no causal evaluation study of the efficacy of private employment agencies have been completed. However, the Institute for Labor Market Policy Evaluation (IFAU) is currently in the process of carrying out an experiment where randomly determined job-seekers are offered the possibility of enrolling in private employment agencies instead of the PES⁵⁵.

2. Immigrant ALMPs in Denmark

In 1999, Denmark was first among the Nordic countries to introduce an integration law stipulating the specific rights and obligations of immigrants coming to Denmark. In 2002, the law was amended to make introduction programs obligatory for refugee migrants and their families. In addition, the law required successful completion of introduction programs for permanent residency status in Denmark⁵⁶. Municipalities are responsible for introduction programs which last for a maximum of three years, are on a full-time basis and consist of language instruction as well as social and cultural orientation. In order to improve the efficiency of introduction programs in facilitating employment into the regular labor market, a 2004 amendment introduced more labor market oriented activities in introduction programs such as work practice and wage subsidy programs.

Clausen *et al.* (2008) analyzes the effect of integration policies targeted towards newly arrived immigrants in Denmark. Results from this study indicate significant and negative lock-in effects of participation in language courses and ALMPs on hazard rates into employment. The lock-in effects of

⁵⁴ Immigrants in Sweden are also overrepresented in other forms of irregular employment such as self-employment. See Andersson and Wadensjö (2004b) for a description of self-employed immigrants in Denmark and Sweden.

⁵⁵ The project is entitled "Are Private Job Centres more Effective than the Public Employment Services". See www.ifau.se for more information.

⁵⁶ Successful completion of introduction programs is only one required stipulation necessary to qualify for permanent residency. In addition, immigrants must live in Denmark for seven years, have no criminal record and the reason for granted asylum status must still be valid at the end of the seven year qualifying period. Even more restrictive rules were introduced for family reunion including age limits, monetary requirements and a stipulation stating that the couple's aggregate connection to Denmark must be greater than to any other nation.

language courses however decrease over time for participants that improved their language skills during the course of the program. In addition, the program effect of language courses on the hazard rate to regular employment is large and positive for participants with improved language skills. Of the ALMPs offered, only wage subsidized employment programs in the private sector are found to increase the transition into employment. This result is in line with the previous literature on ALMPs but somewhat discouraging as only two percent of the programs offered to immigrants in Denmark are wage-subsidized employment programs.

3. Immigrant ALMPs in Finland

Finland has been characterized by relatively low rates of immigration, especially in the form of refugee migration. Prior to 1990, the volume of immigration to Finland was well below that of its neighboring Nordic countries. Immigration, especially refugee migration, is however on the rise in Finland and net migration rates are today on par with those of Denmark (see Table 7 for net migration rates). In 2007, Finland received slightly more than 1500 applications for residency permits from asylum seekers and over 5000 applications for family reunion (Finnish Immigration Service, 2007). Although Finland does have an introduction program regulated in the Integration Act from 1999 for those domiciled in the country, asylum seekers and those on temporary residence permits are excluded from introduction programs (NGO Network of Integration Focal Points, 2008; Michalowski, 2004). Similar to introduction programs in the other Nordic countries, introduction programs in Finland include language instruction (Finnish and Swedish), civics and social orientation courses, remedial education (for illiterates) and preparatory working life courses. The integration program lasts for a maximum of three years, is not obligatory, and provides an integration subsidy for active participants. To my knowledge, no causal effect studies on the efficacy of introduction programs have been carried out in Finland.

4. Immigrant ALMPs in Norway

Norway introduced obligatory participation in introduction programs for certain groups of immigrants in 2003 (SOU, 2008). The target group for introduction programs is defined as immigrants with refugee status or permanent residency granted on humanitarian grounds between the ages of 16 and 55. Tied movers are also obliged to participate in introduction programs provided that they have resided in the municipality for less than five years before applying for permanent residency. Municipalities are responsible for introduction programs which last for two years, are on a full-time basis and include language instruction, civics courses and labor market programs aimed at enhancing employment prospects in the regular labor market.

In addition, immigrants from “non-western” countries are a prioritized group in Norway due to the relatively high unemployment rates of this group relative to “western” immigrants and native Norwegians. The most common labor market programs targeted towards non-western immigrants are work practice programs, labor market training and wage subsidy programs. In an analysis of active labor market programs available to non-western immigrants in Norway, Kvinge and Djuve (2006) show that wage subsidized employment programs yield the greatest success in terms of improving the employment rates of participants. After controlling for selection into wage subsidy programs, participants of wage subsidy programs are found to have higher post-program employment rates than non-participants for all immigrant groups with the exception of those originating from Latin America. Labor market training and work practice programs were also shown to be effective for various sub-groups, in particular for those stemming from Asia and Eastern Europe, but effects were small. In comparison, participation in work practice programs for natives was found to be negative for post-program employment rates.

Table 8
EVALUATIONS OF NORDIC ACTIVE LABOR MARKET PROGRAMS FOR IMMIGRANTS

Study	Type of Program	Target Group	Design	Observation Period	Outcome	Identification Strategy	Results
Denmark Clausen, Heinesen, Hummelgaard, Husted and Rosholm (2008)	ALMPs and language courses	Refugees/Tied-movers (non-EU/non-Nordic)	Non-experimental	2000-2002	Transitions to regular employment	Timing of events duration models	*Participation in language courses and ALMPs lead to significant lock-in effects. *Lock-in effects of language courses decrease over time if participants' language proficiency improves *Private sector subsidized employment significantly increases hazard rates into employment. *No effect found for other ALMPs
FINLAND: No causal evaluation studies of ALMPs targeted at immigrants found							
Norway Kvinge and Djuve (2006)	ALMPs	Non-western immigrants	Non-experimental	2003-2005	Regular employment	Propensity score matching	*Wage subsidized employment has a positive effect on employment probabilities *labor market training and work practice programs have a small but positive effect on sub-groups of immigrants (Asians and East-Europeans).
Sweden Andersson Joona and Nekby (2007)	Trial introduction program	Newly arrived immigrants eligible for introduction programs (refugees, tied-movers)	Experimental	2006-2008	Regular employment, subsidized employment programs, labor market training programs, regular education	Random assignment of eligible participants into the trial program or ordinary introduction programs	*Participation in the trial program increased employment chances by 2 percentage points *Participation in the trial program also increased enrolment into subsidized employment and labor market training programs by 2 and 10 percentage points respectively.
Åslund and Johansson (2007)	Workplace introduction program (SIN)	Immigrants or refugees, 20 years of age or older	Non-experimental	2000-2005	Transitions to regular employment, to subsidized employment, to work experience programs and to "other" categories.	Difference in approach over time in municipalities with and without the SIN program	*SIN increased transitions into work experience programs which in turn was associated with higher employment probabilities than non-participation in SIN.

Source: Own compilation.

VII. Summary

This study has reviewed the Nordic evaluation literature concerning active labor market programs targeted towards unemployed youth and immigrants. The consensus in the evaluation literature is that the types of active labor market programs that are efficient in reducing unemployment duration and increasing employment chances for the unemployed in general are also the most efficient measures for sub-groups of the unemployed such as unemployed youth and immigrants. Programs that more closely approximate regular employment such as those provided by wage subsidized employment programs yield the most unequivocally positive results for subsequent employment outcomes, although at the possible risk of displacing regular employment. The recent Nordic evaluation literature confirms that wage subsidy programs targeted at unemployed youth and immigrants consistently yield positive results in reducing unemployment or improving employment chances.

At the other extreme, job creation programs within the public sector have been found to consistently yield negative or zero results. Although these types of programs have decreased in importance in the recovery period after the recession of the 1990s, the continued use of such programs may be attributed to other reasons such as to decrease discouragement effects or ward off social exclusion via maintained ties to the labor market. In the past, these programs were also used as a prerequisite for renewal of unemployment insurance benefits. Evaluations of youth practice programs and work practice programs for immigrants that are similar in character to job creation programs confirm that these types of programs are rarely successful in reducing unemployment rates for vulnerable sub-groups of the unemployed.

In the aftermath of the recession in the early 1990s, the consensus in the evaluation literature was that the various packages of active labor market programs that specifically targeted unemployed youth had been unsuccessful in countering youth unemployment. The more recent Nordic evaluation literature is less pessimistic showing that, over and beyond wage subsidy programs, certain types of labor market training programs as well as activities provided by Public Employment Services (PES) have been successful in decreasing youth unemployment. In particular more focused vocational training programs have been found to yield a positive and significant effect on subsequent employment and education probabilities. Studies on recent Nordic vocational training program suggest that more focused programs with competitive admission and documented qualifications that are recognized by employers can be successful in improving the employment chances of unemployed youth. Several studies also suggest that intensive PES counseling can have a positive impact on transition rates out of unemployment for unemployed youth.

In terms of immigrants, the most common form of active labor market programs in the Nordic countries are so-called *Introduction Programs* for newly-arrived immigrants. These programs have come under heavy critique for being inefficient in assisting the transition from immigration into the country to employment in the regular labor market. In addition, introduction programs have been found to have substantial lock-in effects, poor language instruction and ALMPs with weak ties to the labor market. Recent trial introduction programs have therefore focused on improving transition rates into regular employment via more integrated language instruction combined with more labor-oriented activation measures. In addition, intensive and personal counseling by Public Employment Service caseworkers has been a key feature of many newer programs targeting immigrants.

There are a number of Nordic evaluation studies on programs targeted towards unemployed or newly-arrived immigrants that note a positive effect of more intensive contacts with the Public Employment Services. The experimental literature on the unemployed in general suggests that some of this effect can be attributed to threat effects associated with increased demands on participants, either via increased monitoring or more intensive contacts with PES caseworkers for counseling or job search assistance. This does not appear to be the case for intensive PES services targeting towards immigrants. Several recent studies indicate that job search courses and intensive job search assistance programs per se are important for improving transitions out of unemployment for immigrants. For newly-arrived immigrants in particular, the matching efforts of PES caseworkers may be especially important due to this group's relative lack of networks and employer contacts. Greater personal contact between PES counselors and participants may also produce a better match between participant needs and appropriate ALMPs leading to improved post-program employment prospects.

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Appendix

Appendix A

Table A-1
PUBLIC EXPENDITURES ON ACTIVE LABOR MARKET PROGRAMS
(AS PERCENTAGE OF GDP), OECD, 1998-2005

	1998	1999	2000	2001	2002	2003	2004	2005	2006
Australia	..	..	..	0,39	0,37	0,38	0,42	0,45	..
Austria	0,46	0,55	0,52	0,57	0,56	0,62	0,6	0,62	..
Belgium	1,27	1,21	1,18	1,18	1,09	1,22	1,16	1,08	..
Canada	..	..	..	..	0,39	0,37	0,36	0,32	..
Czech Republic	..	..	..	..	0,18	0,19	0,26	0,25	..
Denmark	..	..	2,02	..	2,02	1,91	1,86	1,74	..
Finland	1,14	1,06	0,89	0,82	0,84	0,9	0,95	0,89	..
France	1,15	1,24	1,21	1,16	1,12	1,06	0,95	0,9	..
Germany	1,17	1,29	1,21	1,17	1,26	1,25	1,15	0,97	..
Greece	..	..	..	..	..	..	..	..	..
Hungary	..	..	..	..	..	..	0,3	0,29	..
Ireland	..	1	0,92	0,86	0,77	0,71	0,65	0,63	..
Italy	..	..	..	..	..	..	0,62	0,54	..
Japan	..	..	..	..	0,29	0,3	0,27	0,25	..
Korea	..	..	0,4	0,23	0,2	0,13	0,12	0,13	0,12
Luxembourg	..	..	..	..	0,4	0,43	0,47	0,52	..
Mexico	..	..	0,09	0,08	0,06	0,03	0,03	0,02	..
Netherlands	1,3	1,43	1,53	1,53	1,6	1,49	1,4	1,33	..
New Zealand	..	..	..	..	0,43	0,45	0,42	0,39	..
Norway	..	0,75	0,61	0,64	0,7	0,8	0,79	0,75	..
Poland	..	..	..	..	..	..	..	0,43	..
Portugal	0,52	0,45	0,49	0,61	0,59	0,66	0,68	0,69	..
Slovak Republic	..	..	..	..	..	..	..	..	..
Spain	..	..	..	..	..	..	0,75	0,78	..
Sweden	2,28	2,21	1,79	1,69	1,62	1,27	1,25	1,32	..
Switzerland	..	..	..	..	0,6	0,72	0,78	0,76	..
UK	..	..	..	0,53	0,51	0,54	0,54	0,49	..
US	..	..	..	0,18	0,17	0,15	0,14	0,13	..

Source: OECD data base on Labor Market Programs.

Notes: ALMP includes expenditure on Public Employment Services (PES), job rotation and job sharing, training, employment incentives, supported employment and rehabilitation, direct job creation and start-up incentives.

Table A-2
UNEMPLOYMENT RATES
(As % of civilian labor force)

	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Denmark	8,4	9,2	9,1	10,8	8,1	7,1	6,9	6,1	5,5	5,5	4,6	4,8	4,7	5,5	5,7	5	4,1	4,0
15-24	11,5	11,4	12,3	14,5	10,1	9,9	10,5	8	7,1	9,9	6,7	8,2	7	9,8	7,7	7,8	7,6	..
Foreign-born men	..	..	..	..	..	..	..	..	..	..	9,5	8,8	11,8	7,2	..	..	..	..
Foreign-born women	..	..	..	..	..	..	..	..	..	..	9,6	8,7	12,7	12,4	..	..	..	..
Finland	3,1	6,6	11,7	16,4	16,6	15,4	14,6	12,6	11,4	10,2	9,8	9,1	9,1	9	8,8	8,4	7,7	6,9
15-24	9,3	16	26,6	33,6	34	29,8	27,8	25,2	23,8	21,5	21,4	19,9	20,6	21,6	20,7	20	18,8	..
Foreign-born men	..	..	..	..	..	..	..	..	..	..	..	18,4	21,3	16,6	..	..	..	..
Foreign-born women	..	..	..	..	..	..	..	..	..	..	..	20,0	25,3	20,2	..	..	..	..
Norway	5,3	5,5	6	6	5,4	4,9	4,8	4	3,2	3,2	3,4	3,5	3,8	4,5	4,5	4,6	3,4	2,5
15-24	11,7	12,8	13,8	13,9	12,6	11,8	12,3	10,6	9,1	9,5	10,1	10,4	11,4	11,6	11,6	12	8,6	..
Foreign-born men	..	..	..	..	..	..	..	..	..	..	6,8	11,1	8,9	12,5	..	..	..	..
Foreign-born women	..	..	..	..	..	..	..	..	..	..	..	..	7,3	8,5	..	..	..	..
Sweden	1,8	3,2	5,8	9,4	9,7	9,2	9,9	10,1	8,4	7,1	5,8	5	5,2	5,8	6,6	7,7	7	6,2
15-24	4,6	7,9	13,7	22,7	22,6	19,5	21,2	21,1	16,7	14,3	11,8	11,8	12,8	13,7	16,9	22,3	21,3	..
Foreign-born men	..	..	..	..	..	..	..	..	..	..	12,3	12,7	14,2	15,6	..	..	..	..
Foreign-born women	..	..	..	..	..	..	..	..	..	..	10,8	9,5	12,6	14,1	..	..	..	..

Source: OECD Statistics.

Note: There is a break in the statistics for Sweden in 2004 and for statistics on foreign-born in Denmark in 2002.



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