Enabling employment?
Drivers and outcomes of active labour market policies in comparative perspective

Daniel Fredriksson

Academic dissertation for the Degree of Doctor of Philosophy in Sociology at Stockholm University to be publicly defended on Friday 25 January 2019 at 10.00 in William-Olssonsalen, Geovetenskapens hus, Svante Arrhenius väg 14.

Abstract
This thesis includes three empirical studies that analyse driving forces and outcomes of active labour market policies (ALMP) in comparative perspective. Whereas previous comparative research has largely relied on broad conceptualisations of ALMP, often considering policies such as public employment services and training programs as one single type of intervention, the studies in this thesis instead analyse more fine-grained categories and classifications of ALMP. By doing so, the studies contribute with nuance to the discussion of what has shaped labour market policies, and how these influence labour market outcomes.

Study I: This study focuses on determinants of spending on public employment services (PES). Contrary to common assumptions, which state that PES is largely determined by structural factors, the main hypothesis is that partisan politics is a relevant predictor of PES spending. The analysis includes 17 welfare states between 1985 and 2011. The results indicate that partisan politics and electoral competition are related to the development of PES spending, but that the turn to activation in many welfare states in the late 1990s reduced the salience of partisan politics.

Study II: This study analyses whether different types of active labour market policies are related to reduced unemployment, and especially if there is evidence for interdependencies between policies. The study distinguishes between public employment services (PES), training, and job creation programs. PES is singled out as a crucial factor that mediates the effects of other labour market policies, both active and passive. The study examines 19 welfare states between 1985 and 2012 and the results indicate that training programs reduce unemployment in the short run, whereas long-term effects are less apparent for all policy types. Increased investment in PES is found to strengthen the impact of training and job creation programs.

Study III: This study examines the link between active labour market policies and transitions to employment from unemployment and inactivity across the European Union between 2003 and 2013. The study distinguishes between three types of interventions: core programs, directed towards the registered unemployed; peripheral programs, targeting the inactive part of the working age population; and mixed programs, targeting both groups. The results indicate that ALMP have beneficial effects on employment transitions among both the unemployed and the inactive, but that effects differ depending on the type of intervention. Unemployed seem to benefit from increased efforts on ALMP regardless of the type of intervention, whereas the inactive seem to have increased chances to transition into employment if programs target both groups, but not if interventions solely target the inactive.

Keywords: active labour market policy, unemployment, employment, comparative welfare state research, social policy.

Stockholm 2019

http://urn.kb.se/resolve?urn=urn:nbn:se:diva-162129

ISBN 978-91-7797-488-8
ISSN 0283-8222

Department of Sociology

Stockholm University, 106 91 Stockholm
ENABLING EMPLOYMENT?
Daniel Fredriksson
Enabling employment?
Drivers and outcomes of active labour market policies in comparative perspective

Daniel Fredriksson
To all those who participated in jolly cooperation!

Praise the sun! \(T\)/
‘What’s the story in this paper?’ This is one of the more frequent comments that I have received (and given, I might add) during my time as a doctoral student. It is obviously important to incite curiosity and get the reader involved in what you are doing, but it is not always easy to identify what the story is, and how to make it interesting. Given the importance of narrative in academic writing, I have, especially during the final weeks of writing this dissertation, been thinking about what the story of my doctoral studies has really been about. Since this dissertation is comparative in its approach, I figured I could try to compare the story of being a doctoral student to other types of stories and see if I can find any parallels. Here, I make use of knowledge from my very first course at the university level, literary studies, where I came across a book on comparative mythology called “The hero of a thousand faces”, written by Joseph Campbell. The main idea explored in the book is that most mythological narratives share a common structure and dramaturgy, that is, a script that is closely followed and recycled. Obviously, every story has a beginning, a middle, and an end, but seemingly, the journey of a doctoral student share more with the hero’s journey beyond the basic structure.

The story, as described by Campbell, often begins with ‘the ordinary world’, where the normal life of the main character is described. For various reasons, the hero of the story is called to adventure, either by actively seeking it, or by stumbling into the narrative more randomly, that is, by being at the right place at the right time. Regardless, he or she embarks on a journey of discovery.

At some point during the beginning of the journey, the hero inevitably comes across one, two, or even three mentors, who can provide advice and ready him or her for the voyage into the unknown. This is an important part of story, since the road ahead is usually difficult and fraught with danger. The hero must learn various skills, and how to make difficult choices. The mentors may impose strict regimens, but they know this to be necessary if the hero is to survive in the wilderness (they are usually quite nice about it, as well).

After preparing and heeding all (well, almost all) counsel from the mentors, the hero crosses the first ‘threshold’ and leaves the ordinary world behind for the first time. After crossing over, he or she learns the rules of the new world, endures tests, makes mistakes, meets friends, and comes face to face with foes.

Usually, at this point of the story, setbacks occur and the hero experiences a major hurdle or obstacle, such as a life or death crisis (or a scathing rejection...
The hero realizes that he or she is not fully learned, which, sometimes, brings about trying out new approaches, or adopting new ideas.

The humbled hero eventually overcomes these hurdles and obstacles through the experience he or she has accumulated over time, but there are several variants for how the story tends to end. The ending most suited here is what Campbell called ‘resurrection’, which takes the form of a final test where everything is at stake. Here, in a single moment, the entirety of what has been learned during the journey must be used to survive and slay the ‘dragon’, as it were. Upon succeeding, the hero brings the attained knowledge, or the ‘elixir’, back to the ordinary world, where it is applied to help all who remain there.

Similar as they may be, a key difference from the hero’s journey (which makes it a bit less self-aggrandizing), is that being a doctoral student has, at least for me, not felt as an individual or personal struggle, but in large part a collaborative one. Every story is also unique as there are different people playing the roles. In my own story, there are many people without whom I would not have travelled far.

Beginning in the ‘ordinary world’, I wish to thank my family, who have always supported me whatever I have been foolish enough to pursue (although always asking what I am actually doing). I am also immensely grateful for having such good friends back in ‘real life’. Thanks for providing welcome interruptions and yanking me back to reality from time to time, either by discussing the dark soul of man, through the ‘nelp’, or simply by providing the best of company. I hope to see more of you soon!

A whopping thanks to my mentors and supervisors, Tomas, Kenneth and Marie, for always pushing me to craft a better story and always finding the balance between encouragement and expectations (in other words, supply and demand!). I also want to acknowledge Tommy, the lost mentor, who made my first period in the new world such a delightful experience.

Of course, I also want to thank all my new friends and ‘allies’ that I have encountered during this journey, both at SOFI, and beyond. I am indebted to Ryszard Szulkin and Rune Åberg for reading and commenting at critical way stations. Thanks especially to the ‘Socpolers’, my academic family, for never-ending support and, more importantly, laughter and joy! You have made it a treat to travel all the way to Stockholm from Uppsala each week (the mental distance is longer than one might think). I hope you will allow me to continue to break your focus and concentration on my daily walkabouts.

And lastly, to Ida, who make my life less ordinary every day. I honestly do not know what I would do without you, and I can’t wait to start our new adventure in February! I love you!

I do not yet know if I survived the final test and was able to deliver my knowledge to world, but hopefully, there was a happy ending.

Uppsala, December 2018.
List of papers

Study I

Study II
Fredriksson, D. (2019). Reducing unemployment? Examining the interplay between active labour market policies. Submitted manuscript

Study III
Contents

Introduction ...........................................................................................................................1
Outline of the dissertation ....................................................................................................2
Comparative welfare state research – a background ......................................................3
Intervening in the labour market – active and passive policies ........................................7
  Active labour market policies ......................................................................................8
  Passive labour market policies and activation ............................................................11
Summary of papers ........................................................................................................13
  Study I ............................................................................................................................13
  Study II .........................................................................................................................14
  Study III .......................................................................................................................15
Avenues for future research ............................................................................................16
  Adopting a rights perspective on ALMP ....................................................................16
Sammanfattning på svenska ..........................................................................................20
References .......................................................................................................................23
Introduction

For most of people, the labour market is a key arena around which adult life revolves. During ‘working age’, we are generally expected (as the term implies) to have or try to find a job. Even after working life has ended, the time spent in and out of work may prove crucial because old-age benefits typically depend on income and number of years in employment. Although its influence may vary across time and context, periods of labour market inclusion and/or exclusion will invariably have socio-economic consequences for people at different points in time throughout their lives.

The consequences of (un)employment have been a topic of concern in sociological research for a long time. However, less attention has been given to analysis of the institutions or institutional arrangements that countries have put in place to influence individuals during periods of unemployment or absence from the labour force. These institutional arrangements, and more specifically the institution of active labour market policies (ALMP hereafter), is the subject matter of this thesis.

Regardless of the reasons why individuals are deprived of work, most countries have systems in place to deal with the risks and challenges associated with unemployment. Labour market policies are usually divided into passive and active policies. Passive policies include programs for income replacement, such as unemployment insurance benefits or early retirement schemes. Active policies, by contrast, are interventions that aim to bring individuals back into employment. There are many disparate types of active policies and programs, such as training schemes, public employment services (PES) and job creation. They are ‘active’ in the sense that they provide something above and beyond income protection, that is, skills or competences that may facilitate transitions into work.

This thesis has been driven by an interest and motivation to examine how and why different ALMPs have developed, and the possible outcomes of their use. The extent to which active policies are made available differs across countries, and this variation is used to analyse these two questions. Given this approach, the dissertation can be placed in the theoretical tradition of comparative welfare state research, which typically defines welfare state institutions as intermediate variables that may have particular predictors and produce various outcomes.
Questions concerning driving forces and outcomes of welfare state institutions are far from unique, which also holds true in relation to ALMP. However, the studies that are included in this dissertation have been guided by the fact that ALMP has, up until recently, usually been studied as a whole within comparative welfare state research, that is, as one single type of intervention considered to affect the labour market and the working age population in one particular way. However, the examples of policies mentioned—training and job creation—are different in their nature, and affect the labour market through different channels, that is, through demand or supply side factors. Therefore, they may be associated with different outcomes. As some scholars have already noted, there is a need to break open the black box of ALMP and study its constituent parts individually and in more detail (Abrassart, 2015; Cronert, 2017; Nelson, 2013; Vlandas, 2013). By studying distinct categories of ALMP in this thesis, the broader narrative on what has shaped labour market policies and how they influence labour market outcomes becomes more nuanced.

Outline of the dissertation

The first section below will discuss the theoretical background of the thesis and clarify topics pertaining to comparative welfare state research, such as definitions of welfare states and institutions, and how the debates in this literature relates to the analysis of ALMP.

The second section will discuss ALMP in more detail, providing, among other things, a brief historical overview. In this chapter I will also, briefly, discuss passive labour market policies and a concept that is of relevance to both active and passive policies, namely activation.

The third section is devoted to a summary of the three papers.

The introduction concludes with a discussion of where the research could go next in light of the results from the empirical chapters, as well as a short summary of the dissertation in Swedish.

The empirical part of the dissertation is the three self-contained studies that all examine ALMP in some form, but emphasize the titular drivers and outcomes to different degrees.
Comparative welfare state research – a background

Active labour market policies can be viewed as a specific area of social policy within the broader field of welfare state institutions. The study of how welfare states are related to society can be conducted in numerous ways. Although many studies focus on the topic through single-case studies, this dissertation falls more closely to the theoretical tradition of comparative welfare state research, sometimes also denoted as comparative social policy. Regardless whether these different denominations should be considered as disciplines in their own right, or as sub-disciplines straddling the boundary between sociology and political science (cf. Clasen, 2013), scholars in these traditions generally approach the study of social policy by comparing policy systems in different countries. This is nothing new to sociology. Already in its infancy as a discipline, early sociological scholars like Weber (1905 [1978]) compared countries to analyse the emergence of capitalism in Europe, whilst Durkheim (1897) utilised comparisons across regions and countries to ascertain the link between the prevalence of suicide and religious belief systems.

There is no universally accepted definition of the welfare state, but a common view is that welfare states are systems that are put in place to provide protection against social risks, that is, protection in the case of (for example) sickness and unemployment (Taylor-Gooby, 2004). Hence, conventional definitions often understand the welfare state as being composed of various cash benefits provided by the state; as well as services in the form of healthcare and child care (Green-Pedersen, 2004). However, the welfare state is not limited to benefits and services, but also include the systems of financing, such as income tax systems, which may also redistribute resources through tax credits (Ferrarini et al., 2013; Steinmo and Tolbert, 1998). Expressed more broadly, the welfare state is composed of a set of formal institutions, that is, formal rules that can be enforced by a third party (Streeck and Thelen, 2005; Weishaupt, 2011).

Active labour market policy fits well into an institutional framework, but, as already noted, is not a single policy. Rather it involves services (in a narrower sense in the form of public employment services), and interventions directed towards individuals (vocational training), and employers (wage subsidies).

The development of welfare states after the Second World War can be said to have had two distinct phases, the ‘golden years’ of uninterrupted welfare
state expansion from 1950 until the mid-1970s, followed by a period of welfare state stagnation, retrenchment and reconfiguration (Huber and Stephens, 2001; Morel et al., 2012). The first wave of comparative research focused on explaining the driving forces of welfare state development during the period of expansion. These studies typically conceptualised the generosity of, or commitment to, welfare as a percent of GDP devoted to social policy and services (Stephens, 1979; Wilensky, 1975). Wilensky argued that the driving forces of social spending were mainly found in structural factors. That is, differences in generosity between welfare states is primarily driven by, for example, the degree of industrialisation and age structures in society, and less so by government ideology or partisan politics.

Since the 1980s, several seminal studies have argued that because countries have chosen different strategies to address social risks a different conceptualisation of the welfare state is necessary. To explain development, researchers should focus on the institutional setup of social policy in more detail, and how these institutions influence distributive processes in society (Korpi, 1978; Stephens, 1979). These studies utilised Marshalls (1950) distinction of social rights as the core feature of modern welfare states; that is, social policy as the rights welfare states provide to their citizens, which are contingent on the duties that individuals have to fulfil to get access to rights. This is a substantively different conceptualisation compared to how much welfare states spend on policies (Esping-Andersen, 1990; Korpi, 1989; Scruggs et al., 2014). While there are many types of social rights, social insurance was seen as one of the clearest manifestations because it provides the means for individuals to maintain their living conditions irrespective of life situation. This is what Esping-Andersen would refer to as decommodification, that is, reducing the extent to which an individual has to rely on the market for income (Esping-Andersen, 1990).

Because preferences for redistribution among class-based actors differ, politics should matter for social rights, and by extension can lead to different welfare state systems. Therefore, control over legislative power (that is, electoral success) was argued to be an important predictor of welfare state development, building on the reasoning that differences in power resources between employers and workers—which are unevenly distributed in the labour market—are levelled in the sphere of politics and parliamentary democracy. When power resources are operationalised in respect to partisan politics, there is evidence for a strong relationship between working-class strength and policies that promote higher degrees of redistribution (Korpi, 1983).

When analysing the relationship between welfare states and society it may thus be fruitful to understand welfare state institutions (such as ALMP) as ‘intervening variables’ that reflect both the causal factors that have shaped them, and that have particular outcomes that may influence inequalities on the labour market (Korpi and Palme, 1998). Studies can thus focus on analysing the driving forces behind institutional change, or the outcomes these institutions pro-
duce. In combination, drivers, institutions and outcomes have also been utilised to create typologies of welfare states, most famously by Esping-Andersen (1990) who identified three main clusters of welfare states. These are ‘liberal’, ‘conservative’ and ‘social democratic’, and are based on the degree of decommodification social policy produces and whether social policy fosters particular types of solidarities (that is, if all individuals have access to rights, or if policies are targeted to different groups in society). Ideal types can thus be a useful heuristic tool to explore differences between welfare states and test whether distinct welfare states that resemble the proposed ideal types can be observed empirically (Arts and Gelissen, 2002).

The power resources approach, which emphasises the role of political actors and distributive conflict in welfare state development, has been very influential. However, it has been challenged by other theoretical perspective and argued to be of relevance primarily during the expansion phase of welfare states, and less so during the era of welfare state stagnation and retrenchment. Some scholars argue that social policy once enacted and implemented changes public agendas and patterns of group conflict. This then enables policy changes to occur, whilst the implementers of policy within the state, agencies and departments, have their own interests that may clash with the intentions of the government (Skocpol and Amenta, 1986; Weir and Skocpol, 1985). Another influential account came from Pierson (1996, 2001), who argued that the politics of retrenchment is very different from the politics of welfare state expansion. Here, the role of preferences for redistribution among political actors is downplayed. Instead, institutional path dependency together with the rise of new interest groups that are not necessarily formed around socio-economic class is highlighted in relation to their position as beneficiaries or employees of the welfare state.

While subsequent studies that utilised the power resource approach argued that partisan politics seem to be associated with the degree to which welfare states have retrenched social rights (Korpi and Palme, 2003; Montanari and Nelson, 2013), the fact that retrenchment can be theorised in different ways again highlighted issues concerning the conceptualisation of the welfare state. This was now referred to as the ‘dependent variable problem’ in welfare state research (Clasen and Siegel, 2007; Green-Pedersen, 2004).

A key issue was the discrepancy between the conceptual understanding of the welfare state as composed of different institutions and empirical operationalisations that still often relied on government spending on social policy as a measure of the stagnation or retrenchment of the welfare state—thus disregarding more subtle changes in social policy systems. While such changes can be captured by close examination of the development of legislated rights, subsequent research has added to the debate by arguing that the impact of social rights should also be revealed. This might be either by analysing de facto recipients of social policies (Van Oorschot, 2013), or through microsimulation of the tax-benefit system to enable analysis of how changes in social policy
plays out at different parts of the income distribution (Sutherland and Figari, 2013).

‘Total expenditure on social policy’ is hence seen as too obtuse to capture state commitment to welfare or to be used as a proxy for generosity. On a conceptual level, expenditure has long been argued to be a by-product of other processes, that is, ‘epiphenomenal to the theoretical substance of welfare states’ (Esping-Andersen, 1989: 19). Thus, spending only has an indirect relationship to what is the core of the modern welfare state, that is, the extent of social rights available for citizens. However, even though having apparent drawbacks, expenditure may still be useful. Paying closer attention to how spending is distributed within total government expenditure can provide valuable information concerning the salience of different policy areas. Depending on the research question most researchers also adjust social spending in relation to the social need in a particular area. For example, this might be achieved by relating spending on old-age benefits to the number of pensioners, or relating expenditure on ALMP to the number of unemployed. By disaggregating spending further, we may, in addition, escape generalising results related to overall development that hide important differences in programs within one policy area—such as ALMP—and how these subsequently may influence various outcomes (Siegel, 2007).

Thus far the discussion has highlighted some aspects that have been of relevance for the empirical studies in this dissertation. First, welfare state institutions or policies can be viewed as intermediate variables that may influence distributive processes pertaining to unemployment. Second, the characteristics of these institutions can be captured in different ways; either as legislated social rights or spending on properly defined policy areas. The aim of this thesis is to link driving forces to institutions, and the institutions, in turn, to outcomes. To achieve this aim, the empirical studies followed the recent conceptual arguments in relation to ALMP, where spending is broken down into more theoretically grounded categories (Nelson, 2013; Vlandas, 2013). This is discussed further in the next section.
Intervening in the labour market – active and passive policies

The significance of the labour market in generating income, wealth and subsequent inequality has led to a considerable quantity of research. This section, will focus on the different labour market interventions that welfare states utilise to address the various social risks of unemployment, which is the main topic of the dissertation.

Whilst labour market policies might be considered a 20th century phenomenon, efforts to influence individuals without work existed for a long time. Stretching the definition of labour market policy very thin, some of the very first examples can be found in laws from the 14th century that enforced strict deterrents addressing the problem of unemployment in relation to the “able-bodied poor”. Such measures were not limited to the oft-cited English poor laws, but existed all over Europe (Garraty, 1978). Since then, the growing importance of labour markets for growth and development—especially during the process of industrialisation—has led countries to create widely different interventions and policy strategies, some of which will be discussed here.

Labour market policies can be understood in several complementary ways. From one perspective, both active and passive policies conform to the idea of a labour market insurance, where passive policies protects against the loss of income, and active policies insures against the risk of remaining in unemployment (Jackman, 1994). From another perspective, labour market policies can be considered a response to market failure, where the theoretical market of perfect competition is distorted by, for example, wage setting mechanisms (Lindbeck and Snower, 2001). The market is thus deemed either unwilling or incapable of solving problems of unemployment on its own, and individuals are, similarly, assumed to require either assistance or to be spurred to enter the labour market and employment. The emergence of the welfare state itself can be understood as an institutional response to market failure (Therborn, 1987). Regardless, systems to get the unemployed into work, as well as systems to protect against the loss of income have developed in most countries. The development of unemployment insurance has been one of the most conflict-ridden areas of social policy (Väisänen, 1992), which arguably has led to more research in this area. In comparison, active policies seem less controversial, and consequently we know comparatively less about the development of ALMP (Rueda, 2006).
Active labour market policies

Some scholars have described ALMP as the social policy equivalent of a Swiss Army knife, with a variety of uses depending on the situation (Cronert, 2018). This is an apt description in light of the policies that are available in the figurative toolbox. In the most general sense, ALMP are designed to affect labour market outcomes through either supply or demand side policies, each comprising many different programs.

Supply side policies try to influence the working age population directly. The archetypical example is the enhancement of human capital through training programs, which is supposed to increase job chances for the unemployed by imbuing them with new skills. However, supply policies can also provide (or enforce) incentive structures that make it more rational (at least in theory) to be in employment rather than in unemployment, either through the tax system or by making cash benefits contingent on job search behaviour or participation in labour market programs. As for demand policies, governments try to influence the labour market actively in at least two different ways. Sometimes they simply increase demand through the creation of publicly funded jobs. Alternatively, they use more indirect measures, such as reductions in hiring costs for firms.

While the distinction between supply and demand side policies is useful, in reality, supply and demand may overlap by considerable degrees. Publicly created jobs can be seen as a way for welfare states to create labour demand, and to help those who are unemployed earn or practice more generic work skills. Further, they can prevent the loss of human capital, thus also containing supply side elements. Another example is public employment services, which also involves demand and supply features as they may increase the likelihood that employers post job openings but then also assist them to fill vacancies. Passive policies may also influence demand because unemployment benefits may enable the unemployed to maintain consumption, thereby sustaining aggregate demand.

Labour market policies have been evident for a long time and there are numerous historical accounts of the development of ALMP (for example, Bonoli, 2013; Janoski, 1990; Weishaupt, 2011). The genesis of what most would consider ‘modern’ ALMPs are the manpower policies introduced during the era of full employment after the Second World War. A report written by the Swedish Trade Union economists Gösta Rehn and Rudolf Meidner (1953) is often cited as the watershed for ALMP as we currently understand them. In the report, ALMP (or manpower policies) are discussed as a necessary part of achieving and maintaining full employment. The other two parts of this strategy included reduced wage inequality and deflationary fiscal policies. Combined, these measures—called the Rehn-Meidner model—would allow full employment without letting inflation spiral out of control due to wage increases and erosion of productivity. Companies would be forced to either
rationalise or be shut down, which would lead to an increase in overall productivity in the economy, but also lead to increased unemployment. The role of ALMP in this regard was to ensure that the workers that were laid off receive retraining and redeployment into the more productive companies.

It is important to note that this formulation of ALMP was conceived during a critical time of the previous century. Not only was it a period characterised by a commitment to full employment and welfare state expansion, it was also at the peak of industrialisation. While there are, of course, differences between types of industries, retraining was arguably easier to accomplish when work was easy to come by, and oriented towards manufacturing or manual labour. Active labour market policies operate in a completely different context in the era of welfare state retrenchment, where there is a return of mass unemployment (Korpi, 2002), as well as the emergence and growth of the service economy and work that may require substantial investments in education (Iversen, 2001; Iversen and Cusack, 2000). Although the Rehn-Meidner model was never practiced as a whole, the idea of ALMP as a complementary strategy in a larger scheme of policies to achieve full employment has all but disappeared and given way to a more piece-meal approach to labour market interventions that largely focuses on the outcomes that particular interventions may produce.

When outcomes of ALMP first came under academic scrutiny, studies were performed at both the country and individual level. At the country level, studies examined if country ‘effort’ (defined as aggregate spending on ALMP) was related to unemployment (Layard et al., 1991). While aggregate studies often found beneficial effects, outcomes from individual level studies were more heterogeneous and it proved difficult to draw any firm conclusions as to how programs should be designed from the varying results (Calmfors, 1994). Although the context of persistent unemployment may have contributed to the heterogeneous outcomes during the 1990s, many scholars at this time expressed doubts as to whether ALMP could significantly improve labour market outcomes (Calmfors and Skedinger, 1995; Martin, 2000; Scarpetta, 1996).

Although there are exceptions that utilise country comparative approaches (for example, Abrassart, 2015), the increased availability of individual level data has shifted the study of ALMP in favour of micro level research, which tend to emphasise establishing causal effects of participation in active programs—that is, if de facto participation is associated with favourable outcomes and if these outcomes are contingent on program and/or individual characteristics. These can take the form of experimental studies that focus on a fixed number of participants in specific interventions or programs (see the meta-studies by Card et al., 2010, 2018). Register data and household surveys have been utilized to show that ALMP can reduce the ‘scarring’ effects of unemployment. Participating in ALMP programs is thus associated with a catch-up in terms of income after individuals have transitioned to employment (Gangl, 2004; Strandh and Nordlund, 2008). Both strands of research can be called ‘recipiency’ studies, as they focus on actual recipients of policy, thus
corresponding to the suggestion by van Oorschot (2013) to focus on recipients in an effort to assess the impact of social policy.

Focusing on the micro level has provided valuable insights on how to organise labour market programs to increase employment chances at individual level. However, as noted in the second study in this dissertation, it is sometimes unclear how the evaluation of single labour market programs would ensue if implemented at a large scale and how results would apply across countries. Macro level analysis can provide an alternative, especially if the aim is to examine interrelationships between policies, which can be difficult to assess if analyses are confined to single labour-market programs (Calmfors, 1994).

At the aggregate level, scholars interested in analysing the driving forces or outcomes of ALMP have had to rely almost exclusively on spending data as there have been no other comparative data sources available. As was the case for the early analyses of social policy development and outcomes, the empirical operationalisation thus neglected that ALMP is composed of various types of interventions (for example, Boix, 1998; Huo et al., 2008; Janoski and Hicks, 1994; Rueda, 2006). The assumption that ALMP can be conceptualised as one single type of intervention is likely to obscure important developments that require a finer level of detail to capture. The more or less atheoretical use of aggregate ALMP spending as a proxy for welfare state ‘effort’ in this policy area has, consequently, been criticised and can be said to constitute its own stream of the dependent variable debate in welfare state research (Clasen et al., 2016).

While the conceptualisation of ALMP is not as developed compared to conceptualisations of other types of social policy, to completely discount expenditure would also be counterproductive. Expenditure can still provide hints on political salience of particular types of interventions. If a country spends all ALMP resources on training programs or all resources on direct job creation is in this regard both theoretically and empirically interesting. If properly defined, spending data can thus be used to test hypotheses concerning driving forces and outcomes of active policies at the macro level. However, only a handful of studies have, to date, identified the need to separate ALMP into distinct categories before embarking on empirical analyses (Abrassart, 2015; Bonoli, 2010; Cronert, 2017; Nelson, 2013; Vlandas, 2013).

Today, mainstream ALMP research is mostly focused on the micro level, and despite the doubts concerning the potential effectiveness of ALMP, interest has remained high, in both the policy and the academic community. The European Union, for example, has promoted ALMP as a way to achieve sustainable labour markets and growth since at least 1997. This was done through the European Employment Strategy, which then became part of the Lisbon Agenda (Mailand, 2008), and latterly, in the most recent strategy for growth, (Horizon 2020), the importance of ALMP for sustainable labour markets is underlined. Furthermore, the recently proclaimed European Pillar of Social Rights includes statements concerning ‘active support to employment’, where
everyone has the ‘right to timely and tailor-made assistance to improve employment prospects’, and the right to ‘receive support for job search, training and re-qualification’. How these rights are to be enforced is still unclear, but the importance ascribed to ALMP is evident.

Other supra-national organizations, such as the Organisation of Economic Cooperation and Development (OECD), have also promoted the use of ALMP for several decades, but formulated recommendations more in terms of growth and productivity rather than as social rights (OECD, 1994, 2007).

In the academic community, ALMP has not only been a topic for empirical research, but also discussed from a more theoretical point of view. This is especially the case in the literature that discusses ‘social investment’, where it has been highlighted as a vital part of how welfare states should meet the challenges of new social risks produced by globalization, economic crisis and migration (Morel et al., 2012). Notably, it is mainly labour market programs that involve human capital accumulation that receives attention here. In the social investment paradigm, social policy is seen as a precondition for economic growth, where ALMP to some degree is linked back to ideas of retraining.

Passive labour market policies and activation

Passive labour market policies do not play a prominent role in this dissertation, but as they are the opposing side of labour market policy, they are still relevant for discussion, especially in relation to the more recent theoretical discussion concerning labour market activation.

While unemployment insurance is what most studies refer to when discussing passive labour market policies, there are other examples that can be considered passive policies as well. Early-retirement schemes are further examples as countries clear the labour market of unemployed and inactive, which mechanically lowers unemployment rates (Palier, 2010).

In terms of the drivers of passive policies, unemployment insurance was typically the last of the major social insurance programs to develop in most countries, being subject to more intense distributive conflict during the period of welfare state expansion (Väisänen, 1992). As discussed in relation to welfare state development more generally, the stagnation and decline of unemployment insurance generosity since the 1980s has largely been attributed to structural pressure, such as increased costs induced by increased unemployment. However, but countries have also been shown to take different routes in terms of retrenchment (Korpi and Palme, 2003). In general, the driving forces of unemployment insurance are not a central topic in current research. Instead, most research attention is devoted to various disincentive effects of unemployment insurance; if and how the generosity of benefits in terms of duration and/or level of income replacement delays re-entry into work, thereby increasing unemployment (see Messacar, 2014, for an overview). While higher level
of generosity and longer duration of benefits are usually seen as detrimental to economic growth and individual employment chances, a more generous benefit in terms of duration has also been argued to facilitate job matching, both with respect to income after returning to employment, and in reducing the likelihood of a return to unemployment (Caliendo et al., 2013; van Ours and Vodopivec, 2008).

More recent theoretical debates have come to include activation as an important characteristic, and over recent decades several scholars have argued for a paradigmatic shift to activation (Serrano Pascual and Magnusson, 2007; Tepe and Vanhuysse, 2013; Weishaupt, 2011). As some argue, activation is primarily concerned with pushing individuals into the first available job. Where ALMP can be broadly considered as training first, activation is thus focused on work-first (Moreira and Lødemel, 2014). In this sense, activation can be considered a more general feature in the labour market policy system. That said, discussions concerning increased activation have been more prominent in relation to social assistance beneficiaries and the long-term unemployed (Gallie, 2004; Lødemel and Moreira, 2014; Minas et al., 2012). However, unemployment insurance may be (and usually is) conditional on participation in labour market programs. Activation can also include changes in conditionality of unemployment benefits, such as the required amount of weeks of work prior to unemployment needed to receive benefits (Clasen and Clegg, 2007). Such minutiae of cash benefit systems is seldom subject for comparative analysis, but may have considerable impact on how unemployment insurance is able to address poverty among the unemployed (Esser et al., 2013; Sjöberg, 2000). These changes in conditionality, which would be obscured if passive policies are only taken to mean cash benefits, are important developments that arguably shift the meaning of ‘passive policies’.

There have been recent attempts to measure the development of activation through the collection of data in a similar manner to that of social rights (Knotz and Nelson, 2018). This more detailed way of defining and measuring conditionality and sanctions has been used to illustrate that pressures on the unemployed to actively seek work and conform to various demands has substantially increased during the last decades (Knotz, 2018a).

Returning to social rights, the changes induced by the activation paradigm can be seen as a shift in individual duties that have to be performed to get access to rights, whereas changes in provision and scope of ALMP is an example of a shift in the rights provided by the welfare state. The latter shifts are the main concern of this dissertation, and the following section, summarising the three studies, delineate what can explain these shifts, as well as outcomes they produce.
Summary of papers

Study I

*Political determinants of public employment service expenditures: A dynamic perspective on distributive conflict*

The first study examines the driving forces of active labour market policies, focused especially on how partisan politics is related to the development of spending on public employment services (PES) between 1985 and 2011. One motivation for this study is that PES is alone among the ALMP to be considered primarily determined by structural demand for policy. The extent of governments spending on PES is therefore presumed to be related to, for example, the level of unemployment in a given country (Cronert, 2017; Nelson, 2013; Vlandas, 2013). Contrary to these common assumptions, the study argues that political determinants are important factors that are relevant to consider in relation to how the PES has evolved. The study distinguishes between social democratic, confessional, and secular center-right parties.

In addition to the main function of the PES to match individuals to suitable jobs, the PES is in many countries responsible for the allocation of individuals into other types of labour market programs. While secular center-right parties are not assumed to block investments in PES, most previous research has indicated that the scope of labour market policy—regardless of whether this is conceptualised as one category or disaggregated—is related to the strength of social democratic parties. This indicates that social democratic parties are more likely than the other parties to invest in PES. In contrast, confessional parties, which refers mostly to Christian Democratic parties in continental Europe, tend to leave labour market policies to the discretion of social partners, that is, the employee and employer organisations. However, confessional parties often try to attract social democratic voters by investing in policy areas that are normally not highly prioritised by confessional parties. In cases of electoral competition between left and confessional parties, it can therefore be expected that confessional parties will also invest in PES.

The results of the study (based on dynamic time series regression) suggest that partisan politics is relevant to understand how PES have evolved. Left parties tend to be associated with high spending, whilst confessional parties seem to spend less than any other party constellations. While these results are affected by electoral competition between left and confessional parties, it is
also evident that the relevance of partisan politics differs over time. For example, during 1990s, the relevance of partisan politics was reduced, arguably due to the influence of other actors, such as the OECD and the EU, who encouraged countries to invest more in all types of labour market policies, thus reducing differences in attitudes between political parties towards ALMP, and employment services more specifically.

**Study II**

*Reducing unemployment? Examining the interplay between active labour market policies.*

The second study changes focus from driving forces to outcomes of ALMP and analyses the potential impact that PES, training programs and employment programs may have on unemployment rates. The motivation for the study was the fact that macroeconomic effects of ALMP have largely been neglected during the last decade, and that previous research studied the relationship between unemployment and aggregate spending on ALMP. In this study, it is argued that different interventions may have different effects on unemployment. Further, it is suggested that institutions are seldom best analysed in isolation, but that they may interrelate, reinforcing (or weakening) one another. Such interrelationships, again, speak to the overarching aim of studying the components of ALMP individually.

The policies examined are PES, training programs, and job creation schemes, where the PES is identified as a crucial factor that mediates the effects of other labour market policies (both active and passive). This is because the PES (in many countries) is responsible for determining the most suitable intervention for individuals, as well as being responsible for unemployment benefit administration. The study examines 19 welfare states between the years 1985–2012, using error correction modelling (ECM), which allows the separation of short-term and long-term effects. The results indicate that training programs reduce unemployment in the short-term, whereas long-term impacts are less apparent for all policy types—at least when direct effects are considered. However, there is also evidence of important interplay between policies, where PES—as hypothesised—is found to have indirect effects on other policy types. Public employment services spending tends to improve the effects of job creation and training programs, and lessen the effects of unemployment insurance on unemployment.
Study III

*Moving targets. Target groups of active labour market policies and transitions to employment in the European Union.*

The third study also focuses on outcomes of labour market policies, but attempts to expand the mainstream understanding of how ALMP can be conceptualised. Instead of concentrating solely on the type or the content of policies, the study differentiates ALMP with respect to their target groups, and examine if policies are related to employment transitions among the unemployed and the inactive population in the European Union between 2003 and 2013.

The main purpose of the paper is to analyse the relationship between employment transitions and core programs, directed towards the registered unemployed, peripheral programs, which targets the inactive part of the working age population (or the peripheral labour force), and mixed programs that target both groups. Multi-level event-history analysis is employed to analyse the individual transitions to employment. A new program-level dataset containing qualitative indicators regarding most national and regional labour market programs and policies in the EU is used to classify each labour market program since 1998 as a core, peripheral or mixed program. The individual level data is gathered from the European Survey on Income and Living Conditions (EU-SILC).

As there is no individual-level information concerning participation in ALMP, the primary ambition of this study is not causal interpretation of effects for particular individuals, but examination of associations between patterns of labour market policy at the country level and probability of individual transitions to employment from unemployment and inactivity at the micro-level across a large number of European countries. The results indicate that spending on core programs is positively associated with employment transitions among the unemployed, and their probability of getting a job is positively associated with all three types of interventions analysed in the study: training, job creation and employment subsidies. Peripheral programs are unrelated to transition probabilities among the inactive. However, the probability of the inactive entering into employment is positively associated with job creation and employment subsidies, but only in active labour market programs that also include the unemployed.
Avenues for future research

The three studies included in this dissertation highlights that ALMP is a multifaceted policy field, where the different types of programs and services subsumed under the umbrella term of ALMP arguably have different underlying logics that do not necessarily have the same drivers (as discussed in the first study), and also produce different outcomes, (as shown in studies two and three). However, each study included in the dissertation come with limitations, in part due to the limits of what can be included in one particular study, and due to availability and nature of the data that has been utilised. The process of writing the introduction and the three different empirical studies has stimulated thought with respect to the future direction of research.

Although the main aim in undertaking this dissertation—to analyse distinct categories of ALMP—has been satisfied, further research is required in terms of more detailed analysis of the drivers and outcomes of different active policies. However, although such questions can, at least partly, be examined with existing data, the biggest venture for future research would be to resolve (or at least add to) the debate concerning how ALMP can be conceptualised beyond spending. While it is, perhaps, the most difficult to accomplish, providing more theoretically anchored concepts with respect to ALMP will have consequences for how the drivers and outcomes of these policies are analysed.

Adopting a rights perspective on ALMP

All three studies in this dissertation utilise some form of spending data. The arguments for doing so, as well as the limitations of this strategy, have been delineated above. The studies in this dissertation should be seen, together with the work from several other scholars, as the first attempts to expand the possible ways in which ALMP can be conceptualised. Although the results from the studies indicate that we are equipped to answer certain types of research questions already—by disaggregating spending into distinct categories—there are limits to the information that can be extracted from spending data and used in comparative analysis.

There are still very few systematic efforts to construct viable indicators on important dimensions of ALMP, let alone any general agreement regarding
what these dimensions may be. Aside from disaggregation, detailed comparisons have been performed through the collection of single-case studies in edited volumes—for example, Lødemel and Moreira (2014) in relation to activation and workfare, and Theodoroupoulou (2018) in relation to ALMP. Although such studies can be used as roadmaps to identify important dimensions, there are numerous aspects of labour market programs that could be considered.

In this regard, the social rights literature, which has provided the theoretical underpinnings of this dissertation, is a natural starting point. Conceptually, the focus on the rights of citizens entails examining how policies/institutions of the welfare state influence distributive processes in society. Empirically, this is performed by closely examining how institutions are constructed and involves collecting detailed information concerning the duties that citizens have to perform to attain social rights, as well as detailed information on the nature of those rights. One example here would be how long individuals have to work to be eligible to receive benefits as well as the level of income replacement in various countries. While associated with a substantial work effort, the strategy of focusing on social insurance programs proved fruitful and has expanded to include other types of social policy such as family policy and minimum income protection, and how these are related to distributive processes (Ferrarini, 2006; Nelson, 2011).

Can we conceptualise ALMP in a similar way, as a constituent part of social citizenship, and position ALMP in the context of social rights and duties? For the most part, participating in programs that are classified as a labour market program, or to be registered with the public employment services, can be considered a duty. As noted, the extent to which individuals have to conform to such rules has increased over time (Knotz, 2018a), and a clearer understanding of the duties that individuals have to perform when unemployed as well as the consequences of non-compliance is evolving (Knotz and Nelson, 2018).

In terms of conceptualising ALMP as rights, the challenge is still ahead. Some have argued that interventions should be demarked according to how they relate to the overall political economy and distinguish broader dimensions. Bonoli, for example, argues that ‘pro-market employment orientation’ and ‘investment in human capital’ are the main conceptual categories of labour market policy (Bonoli, 2010). While this distinction has the advantage that we may also include activation and cash benefits in the same framework, there are still other types of information of interest as well, such as eligibility for participation in programs. An explicit rights perspective on ALMP depend partly on the attitudes towards the unemployed. One aspect would be whether an individual is considered fully responsible for his or her labour market status. This largely corresponds to the conceptualisation of ALMP as one part of a more encompassing ‘labour market insurance’, which would also include sufficient protection against the loss of income. The welfare state could thus
be tasked to provide opportunities to participate in activities that facilitate future employment. However, even if a social rights-perspective on ALMP is adopted, a key problem is that ALMPs can be considered as a different set of policy instruments compared to standardised social rights. They involve more levels of governance and more multifaceted delivery systems (Clasen et al., 2016: 14).

There is some evidence that focusing primarily on the national level obscures the importance of lower levels of government (Clasen et al., 2016). As shown in the third study of this dissertation, there seems to be considerable difference in terms of the number of programs that are directed towards the unemployed and the inactive across Europe. It is unclear if the differences regarding target groups of programs shown at the country level are equally marked if we consider lower levels of government. In other words, if countries that have less interventions at the national level instead focus their efforts on the municipal level, and those farthest from the labour market. Examining decentralised labour market policy will involve a substantial investment that would probably be the subject of a larger research program.

The number of aspects of ALMP that could be interesting to learn more about could quickly become a long wish list. To avoid being too general, some examples that build on the overarching research questions of driving forces and outcomes (and that have guided the three empirical studies) are considered here briefly.

In terms of drivers of institutional change, the first study of this dissertation examines the role of partisan politics for the development of spending on public employment services. As discussed in the study, most research have excluded the PES altogether, or not expected any partisan effects with argument that these are a heterogeneous set of policies. The prime challenge for studies that want to analyse partisan politics is to discern whether the level of spending should be seen an incentive (services), or a punishment (sanctions and monitoring). While the results from the first study indicate that partisan politics are relevant predictors of spending as such, at least up until the late 1990s, the study nevertheless cannot say if the development is driven by costs associated with services or with monitoring. Here, the conceptualisation of PES could be made more detailed by complementing spending analysis with changes in conditionality as discussed above (Knotz and Nelson, 2018). Recent research building on this data has shown that the increase in sanctions seems to be unrelated to partisan politics, but does not specify the costs of these developments per se (Knotz, 2018b). One key argument is that sanctions and monitoring are increasing due to cost-containment; therefore, including information on these developments could be used to ascertain whether or not the ‘punishment’ dimension of PES is what drives the development of spending, or if the development instead is captured by the ‘incentive’ dimension of PES.
In terms of outcomes of policies, both the second and the third study highlights that the impact ALMP potentially have on other processes relating to labour markets is still an area in need of further research. One example is the increasing divide between insiders with secure jobs, and outsiders with less secure employment, often referred to as labour market dualisation (Emmenegger et al., 2012; Lindbeck and Snower, 2001; Schwander and Häusermann, 2013; Vlandas, 2013). Examining questions concerning labour market dualisation and the impact that ALMP may have on atypical work might be helped by having detailed information concerning the precise content of interventions and what they seek to accomplish. This is especially of interest in light of the uncertainty as to whether ALMP contribute to dualisation processes, or if it can be used as a way of reducing dualisation (Hipp et al., 2015). To avoid bringing all types of interventions into a single study, one way forward could be to focus on the contents of specific types of programs. Training programs could be of interest if atypical employment is not only defined as fixed-term contracts and part-time employment, but also as ‘bad jobs’ (McTier and McGregor, 2017). Here, the program data described in study three could potentially be used to distinguish whether training programs provide, for example, general skills or are more vocational in nature, with specific occupations as the result of participation. If there is a pattern that is related to dualization this would arguably be valuable information for policy makers. A corollary, also using program level information, would be to analyse if there is equality in terms of the access to programs, and how this eligibility is determined.

While these are only briefly sketched examples, information that describes these rights and duties of labour market policies could be fruitful supplements to expenditure and recipiency analysis. As noted by Morel et al. (2012) the current focus on ‘work-first’ and activation may have positive impacts on employment in the short-term, but may prove detrimental for the long-term sustainability of labour markets and contribute to increased inequality in society. This is because individuals who are excluded at some point will find it increasingly difficult to be included again. Ultimately, pathways out of unemployment provide hints concerning how welfare states distribute responsibility between state and individual in the labour market. The road back to employment may be seen as a completely individual problem, but it may well equally be argued that one responsibility of the state is to provide options and some degree of security.
Denna avhandling utgörs av tre fristående studier som alla analyserar arbetsmarknadspolitik ur ett jämförande perspektiv. Med arbetsmarknadspolitik avses de olika program—såsom arbetsförmedling, utbildningsprogram eller sysselsättningsprogram—som används för att påverka individers möjligheter att överbörja arbete från att ha varit arbetslösa. Avhandlingen kan placeras inom ramen för vad som brukar kallas jämförande välfärdsstatsforskning eller jämförande sociologi, där olika aspekter av välfärdsstatens institutioner undersöks, framförallt med fokus på analys av drivkrafter bakom olika politikområdets framväxt och storlek, samt analys av för politikområdena relevanta utfall. Detta förhållningssätt speglas i de tre delstudierna som dels undersöker drivkrafterna bakom delar av arbetsmarknadspolitiken och dels analyserar hur arbetsmarknadspolitik kan påverka arbetsmarknadsutfall på samhälls- och individnivå.

Då de allra flesta tidigare studier på området har analyserat arbetsmarknadspolitik som en gemensam kategori har ett övergripande syfte med avhandlingen har varit att bryta ner arbetsmarknadspolitiken i dess beståndsdelar och analysera underkategorier separat. Detta motiveras bland annat av att exempelvis utbildningsprogram och sysselsättningsprogram bygger på helt olika logiker (även om de har samma slutmål) och därmed kan tänkas ha olika drivkrafter och olika utfall som inte går att studera om vi inte delar upp arbetsmarknadspolitik i mer finfördelade kategorier.

Den första studien i avhandlingen analyserar drivkrafterna inom ett område som inte vanligtvis är föremål för analys, nämligen arbetsförmedling. I de flesta studier som analyserat arbetsmarknadspolitikens drivkrafter har arbetsförmedling antingen helt uteslutits som en analyserbar kategori eller så har studier på området argumenterat för att alla välfärdsstater behöver någon form av arbetsförmedling och att det därmed är konjunkturella förklarings, såsom arbetslöshetsnivå eller ekonomisk utveckling, som helt förklarar omfattningen av arbetsförmedlingen i ett givet land. De efterföljande två studierna analyserar utfallen av arbetsmarknadspolitiken på två olika sätt, där den andra studien analyserar hur arbetsmarknadspolitiken kan påverka arbetslöshet på aggregerad nivå, medan den tredje studien fokuserar på hur arbetsmarknadspolitik kan påverka sannolikheten att individer i och utanför arbetsmarknaden övergår till arbete. De följande styckena sammanfattar innehållet i de tre delstudierna mer detaljerat.

**Studie II** fokuserar på utfall av arbetsmarknadspolitik och analyserar huruvida utgifter på arbetsförmedling, utbildningsprogram och sysselsättningsprogram är relaterade till minskad arbetslöshet i 19 länder mellan 1985–2012. Utöver de direkt effekter dessa politikområden kan tänkas ha så framförs en hypotes rörande ömsesidigt förstärkande effekter av arbetsmarknadspolitik, där framförallt arbetsförmedlingens storlek är relevant att ta hänsyn till då arbetsförmedlingen, i de flesta länder, har ansvaret att identifiera behov hos de arbetslösa och därefter hänvisa individer till olika program. Hur mycket länder satsar på arbetsförmedling kan följaktligen förväntas förstärka effekter av till exempel utbildningsprogram. Resultaten från den empiriska analysen, som återigen bygger på dynamisk tidsserieregression, visar att ökade satsningar på arbetsförmedling och utbildningsprogram är relaterade till minskad arbetslöshet, medan offentligt jobbskapande tycks vara ett mindre effektivt. Det visas också att om länder satsar mer på arbetsförmedling så förstärks
den arbetslöshetssänkande effekten av utbildningsprogram. Dessa resultat kvarstår om man istället för arbetslöshet analyserar sysselsättning.

References


Sutherland H and Figari F (2013) EUROMOD: The European Union Tax-benefit Microsimulation Model. *International Journal of...
Weishaupt JT (2011) From the Manpower Revolution to the Activation Paradigm - Explaining Institutional Continuity and Change in an Integrating Europe. Amsterdam: Amsterdam University Press.