



**MINISTRY OF SOCIAL  
DEVELOPMENT**  
TE MANATŪ WHAKAHIATO ORA

**Future Focus Evidence Brief**

# **Reapplication for unemployment benefit**

**February 2010**

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# FUTURE FOCUS EVIDENCE BRIEF: REAPPLICATION FOR UNEMPLOYMENT BENEFIT

## Key points

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There is an international trend for recipients of unemployment benefits to participate in compulsory employment programmes at set intervals after commencing their unemployment spell. The evidence shows:

- People exit benefit **before** being required to participate (compliance effect) even for relatively simple activities such as meeting with a case manager or a job-search seminar.
- Compliance effects are larger for men than for women.
- Evidence is more mixed on whether participating in compulsory programmes improves employment outcomes; with the OECD recommending countries carefully assess their cost-effectiveness.

There is less evidence on the operation or effectiveness of formal work assessments. Two approaches that have emerged from the literature:

- outsourcing assessments to external providers
- developing IT tools to assist case managers.
- For the IT-based approaches, the evidence indicates take up by case managers can be a significant problem.

## Key references

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OECD. (2005). Labour Market Programmes and Activation Strategies: Evaluating the Impacts. *Employment Outlook 2005* (pp. 173-208). Paris: OECD.

## What works

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### Compulsory participation in employment programmes

Several countries have implemented policies that require jobseekers to participate in employment programmes at set times after commencing benefit.

*Compulsory participation results in people exiting benefit **before** being required to participate*

Compulsory participation can influence jobseekers in two ways. The first is by encouraging jobseekers to leave benefit **before** starting the required programme (the compliance effect). The available evidence consistently shows increased benefit exits before programme participation. These compliance effects occur even for relatively simple interventions such as an interview with a case manager (eg United Kingdom's Restart programme). In general, compliance effects appear to be larger for men than women.

### *Assistance may improve participants' employment outcomes*

The second way is through the compulsory activity helping jobseekers exit into employment (the participation effect). Assistance can range from low cost interventions, such as meeting with a case worker or a job search programme, through to more expensive and longer-term programmes such as training or work experience. Here the evidence is more mixed, with some activities increasing benefit exits while others make no difference or even increase the time participants spend on benefit. The message from the literature is to make sure the required interventions are cost-effective (accounting for both compliance and participation effects) (OECD, 2005; OECD, 2007).

### **Australia: Active Participation Model**

Australia's Active Participation Model (APM) combines an increased level of employment assistance to more disadvantaged jobseekers with requirements for all jobseekers to participate in mandatory activities at specific periods during their spell of unemployment (see Table 1). At six months those aged 18 to 49 are required to participate in a Mutual Obligation activity (if none selected then they participate in Work for the Dole (WfD)).

**Table 1:** Active Participation Model time line

Months from registration	Activity	Contact level	Comments
0	Registered with Centrelink		Depending on level of disadvantage jobseekers may be referred to Intensive Assistance directly.
0-3	Job Search Support		
3	Job Search Training		
3-6	Intensive Support		
6-12	Mutual Obligations		If the jobseeker nominates no other Mutual Obligation activity then they participate in WfD
12-18	Intensive Support Customised Assistance	Fortnightly contact	Six month rigorous work preparation programme
18-24	Mutual Obligations	Fortnightly contact	If the jobseeker nominates no other MO activity then they participate in WfD
24	Assessment		Review Job Search Plan and identify course of action to most benefit the jobseeker.
24-30	Intensive Support Customised Assistance	Fortnightly contact	
30-36	Mutual Obligations	Fortnightly contact	If the jobseeker nominates no other MO activity then they participate in WfD
36+	Job Search Support and Mutual Obligations	Fortnightly contact	Classified as very long term unemployed

Source: Compiled from DEWR (2006).

### *Referral to Job Search Training increased benefit exits before programme commencement*

DEWR (2003) estimated the compliance effect of being referred to two programmes: Job Search Training and Intensive Assistance. The evaluation found a significant and

positive compliance effect. Of those referred<sup>1</sup> to Job Search Training 47.4 percent were in employment 16 months later compared to 37.8 percent for the comparison group; a difference of 9.6 percentage points or 25 percent. The compliance effects appear to be smaller for Intensive Assistance, with the proportion of participants in employment 29.2 percent while 25.2 percent of the comparison group are in employment (DEWR, 2003).

*Participation in APM programmes increase participant outcomes*

There have been several evaluations of the impact of different components of the APM, the findings of which are summarised in Table 2. Evaluations conducted by the Department of Education, Employment and Workplace Relations<sup>2</sup> (DEEWR) found that individual components of the active participation model have had substantial positive impacts on participants' employment and off-benefit outcomes (DEWR, 2003; DEWR, 2006). The only negative finding was reported by Borland and Tseng (2004) and related to the impact of Work for the Dole (see below).

**Table 2:** Impact evaluations of programmes within the Australian Active Participation model

Outcome measure	Programme	Study	Outcome measure	Outcome period			
				0.5 yrs	1 yr	1.3 yrs	1.7 yrs
Employment	Customised Assistance	DEWR (2003)	As at			6.2 ppt	
		DEWR (2006)	As at		10.1 ppt		
	Job Search Training	DEWR (2003)	As at			11.6 ppt	
		DEWR (2006)	As at		11.2 ppt		
	Mutual Obligations	DEWR (2006)	As at		8.3 ppt		
	Work for the Dole	DEWR (2006)	As at		7.3 ppt		
Off-benefit	Customised Assistance	DEWR (2006)	As at	1.1 ppt	4.5 ppt		6.3 ppt
	Job Search Training	DEWR (2006)	As at	5.8 ppt	9.4 ppt		12.1 ppt
	Mutual Obligations	DEWR (2006)	As at	1.2 ppt	7.1 ppt		11.0 ppt
		DEWR (2006)	As at	0.6 ppt	4.9 ppt		9.3 ppt
	Work for the Dole	Borland J and Tseng Y-P (2004)	As at	-8.5 ppt	-8.9 ppt		
Time off benefit	Work for the Dole	Borland J and Tseng Y-P (2004)	Cumulative	-2.0 wks	-4.4 wks		

ppt: percentage point difference

As at: outcome measures at the specific outcome period (eg % employed exactly one year after programme commencement).

Cumulative: measured over the period from start date (eg number of weeks in employment over first year after starting the programme).

Source: Compiled by MSD 2009 from (Borland & Tseng, 2004; DEWR, 2003; DEWR, 2006)

<sup>1</sup> Only 30 percent of those referred participated in Job Search Training, participation rate was higher for Intensive Assistance at 65 percent.

<sup>2</sup> Formerly the Department for Employment and Workplace Relations (DEWR)

### *Work for the Dole (WfD) – mixed and contested evidence*

The evidence is mixed on whether WfD increases participants' employment outcomes. In 2000, an Australian government evaluation showed WfD to have a large positive impact on participants being independent of income support after completing the programme (DEWRSB, 2000). However, the methodology has been criticised for ignoring locking-in effects<sup>3</sup> and selecting participants who had exited from income support therefore making the programme appear to have a larger positive impact than it really has (OECD, 2001, page 220; Borland & Tseng, 2004; Dockery & Stromback, 2000). A later independent analysis found WfD *decreased* participants' chances of moving off benefit (Borland & Tseng, 2004). The negative participant impact was attributed to substantial programme lock-in effects.

In 2006 the Department of Employment and Workplace Relations completed an updated impact evaluation of WfD (DEWR, 2006). The evaluation reported that one year after programme commencement, WfD participants were more likely to be in employment (39.4 percent compared to 32.1 percent for the comparison group) and to be off benefits (on this measure participants' outcomes were 4.9 percentage points higher than the comparison).

### **United Kingdom: Flexible New Deal (2009)**

In late 2009 United Kingdom launched the Flexible New Deal (FND) for jobseekers and those on other benefits wanting to work. FND is compulsory for those jobseekers reaching 12 months out of work and involves personalised, individualised assistance lasting 52 weeks. The purpose of FND is to have a unified approach for all jobseekers with serious barriers to finding sustained work. The FND started in October 2009, and the programme will be rolled out nationally by October 2010 (DWP, 2009).

### **United Kingdom: Restart programme (1990s)**

The Restart programme consists of compulsory interview with jobseekers at six, 12 and 18 months duration to counsel them on effective job search. Failure to attend the interview carries the threat of the cessation of unemployment benefits. "The main aim of the Restart process was to reduce the amount of time people spend unemployed and reduce claims of unemployment benefit by those who were essentially not available for work or who were not making the appropriate effort to find employment" (Dolton & O'Neill, 1996).

#### *Restart reduced time on benefit*

An evaluation using randomised control and treatment groups found Restart reduced unemployment duration. The authors concluded "there exists a group of unemployment benefit claimants, who if challenged about their availability for work, would end up signing off - since they are not really eligible for work" (Dolton & O'Neill, 1996). The study also finds that having a Restart interview at six months is preferable to waiting until 12 months in reducing time clients are on benefit.

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<sup>3</sup> Locking-in effect refers to the tendency for people to be less likely to exit benefit while on a programme. Locking-in effects occur for several reasons, including: less time to look for work and incentives to complete the programme (eg to gain a qualification).

## **United Kingdom: New Deal for Young People (NDYP)**

New Deal for Young People (NDYP) is compulsory for all 18 to 24 year olds who have been unemployed and claiming Jobseeker's Allowance (JSA) for six months. Like the Australian Active Participation Model, NDYP takes a sequential approach involving three distinct phases:

- Gateway lasts for around four months during which participants receive intensive job search support and help to overcome possible barriers to work.
- Options involve selecting one of four compulsory activities: Employment Option (EO) for up to six months, Full-time Education and Training (FTET) for up to 12 months, work in the Voluntary Sector (VS) for up to six months and work as part of an Environment Task Force (ETF) for up to six months. If participants select no option they are assigned to either Voluntary Sector or Environment Task Force.
- Follow-Through is a three month period of intensive job search support, before participants leave the programme.

### *More people exited benefit before starting NDYP*

Wilkinson (2003) found NDYP had a positive compliance effect; with a five percent reduction in the number of males remaining unemployed for six months (the start of NDYP). The same study found a very small and not statistically significant compliance effect for women (Wilkinson, 2003, pp 32-33).

### *NDYP reduced time on benefit or receiving employment assistance*

Evaluations of the overall programme found it reduced the time participants spent receiving income support or employment assistance. Over the four years after starting NDYP participants spent, on average, 64 fewer days claiming benefits or receiving employment assistance, a 12 percent reduction (Beale, Bloss, & Thomas, 2008). An earlier study reported a reduction of around 20 percent for men and 16 percent for women (both statistically significant) at six months after starting NDYP (Wilkinson, 2003, pp 25-26). Both studies found the impact occurred in the first 12 months after participants started NDYP.

Of the four options, participation in Voluntary Sector and Environment Task Force had lower positive impacts than the other two options. However, Beale *et al* (2008) recognise these results may be biased since they could not fully control for selection effects, and they suspect less able or motivated participants were more likely to take these two options rather than Employment Option or Full-time Education and Training.

## **Denmark: Right and Duty**

For people receiving unemployment insurance, the Danish government requires compulsory participation in employment and training programmes after nine months for those aged 30 to 60 and six months for those under 30. Right and Duty was introduced in 1994, with the period before compulsory participation progressively shortened from four years to nine months. Compulsory programmes include: labour market training, subsidised employment in a private or public firm, and support for self-employment.

### *Increased exits from benefit before compulsory participation*

The introduction of compulsory programme participation increased exits from benefit to employment from around four to six months before people are required to start

their compulsory programme and up to eight months afterwards.<sup>4</sup> Over this period the odds of finding employment increases up to 145 percent, a substantial and significant impact (Geedersen, 2006). Another study found similar impact (Toomet, 2008). Men increased exits to employment by 25 percent the four months before they were required to start participating in employment programmes. Similar impacts were found for women, but these were not significant. Toomet (2008) also concluded faster exits to work for men did not result in poorer job matches (ie jobseekers taking lower paid jobs).

*The high cost of employment programmes may mean the Danish model is not cost-effective*

A recent OECD survey of Denmark has commented on the high cost of the compulsory programme participation and questioned the effectiveness of some of these programmes in increasing employment outcomes (OECD, 2008, page 90). The OECD recommends adoption of earlier assessment and job search assistance and activating jobseekers using lower cost interventions.

## **Comprehensive Work Assessment**

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We have identified less evidence on the operation or effectiveness of formal work assessments. Two approaches that have emerged from the literature involve either outsourcing assessments to external providers (Australia) or developing IT tools to assist case managers (United States, Canada and Switzerland). For the IT-based approaches, the evidence indicates take up by case managers can be a significant problem.

### **Australia: Job Capacity Assessment**

The Job Capacity Assessment is a comprehensive assessment of an individual's ability to work. The assessment involves identification of any barriers to employment and any assistance that may be required to help them overcome those barriers. Assessments are conducted face-to-face with allied health professionals, such as registered psychologists and rehabilitation counsellors. Information provided by individuals is used by a Job Capacity Assessor to complete this assessment, to assist in determining the appropriate type and level of support that the individual requires (including eligibility for sickness and disability-related benefits). Assessor training and service guidelines ensure that assessments are delivered consistently, no matter where they occur (DEEWR, 2009).

### **United States: Frontline Decision Support System (FDSS)**

From 2000 states were obliged to establish one-stop careers centres providing various employment services with relatively few eligibility rules. As a result frontline staff were expected to make referrals for a large volume of clients across diverse programmes. To help staff, the FDSS was developed as a prototype in Washington and Georgia (Eberts & O'Leary, 2002). The FDSS involved two modules, the first was a job search model (not covered here). The second module was a service referral system. Using historic information on sequence of programmes and client characteristics, the FDSS identified the most effective sequences for each client. To ease the use of FDSS, the whole system was automated and administered at the

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<sup>4</sup> Full participation in employment and training programmes is not reached until ten months after the start of the compulsory participation period (Geedersen, 2006).



start of any period of benefit, using data downloaded from administrative systems as well as information provided by the client. Despite the considerable investment in FDSS, the Georgia pilot was stopped in early 2003<sup>5</sup> (Hasluck, 2004, page 12).

### **Canada: Service Outcome Measurement System (SOMS)**

The Service Outcome Measurement System (SOMS) operated between 1994 and 1999. SOMS was based on analysis of outcomes from different programmes relative to a range of client characteristics (such as personal and demographic characteristics, local labour market conditions). This provided a profiling system by which advisers could identify the most likely outcomes from alternative programmes or services for a given client.

SOMS introduction coincided with substantial restructuring including a large number of lay-offs. As a result, caseworkers saw SOMS as a threat resulting in low use of the system. Further, SOMS was based on a composite dataset of all unemployed persons between 1987 and 1994. In 2002 the Privacy Commissioner ordered it to be destroyed as it was in violation of Canadian privacy law (Colpitts, 2002 cited Hasluck, 2004, page 13).

### **Switzerland: Statistically Assisted Programme Selection (SAPS)**

In 2005 the Swiss government trialled a statistical support tool (SAPS) for case managers in choosing appropriate active labour market programmes for their unemployed clients. Case managers retained discretion over referrals. The pilot involved randomly allocating the SAPS tool to half the case managers in pilot offices. The evaluation found case managers largely ignored the recommendations from SAPS and therefore there was no difference in outcomes between clients managed by the two groups of case managers (Behncke, Froelich, & Lechner, 2007).

The authors conclude that case managers ignored SAPS because of:

- confidence in the superiority of their own judgements
- unwillingness to comply with an external tool that could pose a potential threat to their future autonomy and discretion if introduced nationwide (perhaps with more binding predictions).

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<sup>5</sup> There was no clear reason given explaining why the pilot was stopped since the evaluation had not yet reported on its effectiveness.

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