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H.L. Wilensky, Tax and Spend 1
Active Labor-Market Policy

ACTIVE LABOR-MARKET POLICY: ITS CONTENT, EFFECTIVENESS,
AND ODD RELATION TO EVALUATION RESEARCH

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ACTIVE LABOR-MARKET POLICY: ITS CONTENT, EFFECTIVENESS,
AND ODD RELATION TO EVALUATION RESEARCH*

It is no news that the desire to work is everywhere exceeding the supply of jobs. Whatever the cyclical fluctuations, rich democracies have since the early 1970s experienced the unhappy combination of accelerated rates of general labor-force participation and rising unemployment insurance and welfare costs for selected groups: displaced workers in their prime, as well as the hard-to-employ young, minorities, handicapped, single mothers, displaced homemakers, and older men. Although national strategies for coping with these problems are diverse, there is increasing recognition that a major tradeoff can be made between expensive, passive policies that make no contribution to human resource use and what has come to be known as "active labor-market policy."

*This chapter is a much revised and elaborated version of "Nothing Fails Like Success: The Evaluation-Research Industry and Labor-Market Policy," Industrial Relations 24 (Winter 1985): 1-19. It is part of my forthcoming book, Tax and Spend: The Political Economy and Performance of Rich Democracies. I am grateful to Tom Janoski, Susan Reed Hahn, and Fred Schaffer for research assistance and to the Institute of Industrial Relations, University of California at Berkeley for support.

CHART 1

21 TYPES OF PROGRAMS LABELLED "ACTIVE LABOR MARKET POLICY"*

Government policies to create or maintain jobs (shape demand for labor)

- A. Direct provision of work via
 - 1. sheltered workshops and other job creation measures for handicapped workers
 - 2. employment in regular public service
 - 3. public works projects—e.g., building and highway construction, conservation (e.g., Civilian Conservation Corps). Proposals for National Youth Service Corps fit items 2 and 3.
- B. Subsidies to private business to
 - 4. hire new employees
 - 5. extend seasonal work year 'round—e.g., winter construction subsidies
 - ? 6. locate or relocate workplaces in areas of high unemployment and create new jobs (e.g., area redevelopment).
- C. Laws or subsidies to maintain demand for labor via
 - 7. short-time work (e.g., pay workers some of the difference between part-time pay and full-time pay to prevent layoffs)
 - 8. redundancy payment laws that increase the cost to employer of work force reductions (assumes employers will be shocked into better human resource planning).

Government policies to increase the labor supply and/or improve its quality by promoting or regulating

- 9. apprenticeship training
- 10. on-the-job training and retraining
- 11. work-study programs to ease transition from school to work (e.g., part-time jobs while in school so student gains orientation to work, good work habits, job experience)
- 12. job transition training for workers threatened with layoffs—training while still working for the same employer on the threatened job
- 13. employability training—remedial programs to increase basic literacy and improve work habits and attitudes.

Government policies to decrease the labor supply by

- ? 14. lowering the retirement age
- ? 15. raising the age for compulsory schooling
- ? 16. shortening the work week or reducing overtime
- ? 17. reducing immigration of guest workers or encouraging their return (through subsidies or coercion).

Government policies to encourage labor mobility via

- 18. placement services—labor exchanges providing job information to increase efficiency in matching job-seekers and job vacancies (can include compulsory notification of job vacancies or layoffs)
- 19. vocational counseling in school and during the worklife
- 20. mobility allowances and relocation advice for displaced workers; "starting allowance" if search is necessary
- 21. relocation assistance via housing allowances or rent supplements tied to item 20 (includes government regulation of rules for apartment waiting lists).

*From Wilensky (1985, p.2). Based on Janoski (1986); Ruebens (1970); and Lester (1966); question mark indicates a program marginal to the definition but included by some students.

2.5 to 1 and the U.K. about 1.2 to 1 in favor of unemployment insurance. (Based on Johannesson and Schmid, 1980, p. 401; OECD, 1978, pp. 118-119.) The United States has fluctuated between these extremes: in 1970 it spent about three times as much on unemployment compensation as it did on ALMP; by 1978, with the expansion of the Comprehensive Employment and Training Act (CETA and its job creation and youth programs), the USA was spending only about three-quarters as much on unemployment compensation as it did on ALMP; since then the government reversed the ratio again. (Based on The Manpower Report of the President, 1971; the Budget of the United States, 1973; and the Employment and Training Report of the President, 1980 and subsequent reports.)

In this chapter I shall sift out a few themes from the literature evaluating the effectiveness of particular kinds of programs and from my analysis of the effectiveness of active labor-market policy in eight countries; I shall then offer reflections on the uses and limits of evaluation research, which some scholars view as a distinctive strength of American government effort. While a few countries, notably Sweden, West Germany, and Japan, have concentrated on program development, the United States has become a specialist in evaluation research.* In fact, there may be an inverse relationship between such research and the financing and

*In the month of February 1981 alone the General Accounting Office of the USA -- which accounts for only a small share of the evaluation research industry -- issued 41 evaluation reports. The 1975 Congressional sourcebook on federal program evaluations cites 1700 evaluation reports issued by 18 executive branch agencies and the GAO during 1973-75 (Nachmias 1980, p. 1164).

the U.S., the Job Corps. The Job Corps is among several programs whose budgets declined while evidence of their success piled up. The final section suggests that ALMP is increasingly important as rich countries facing global competition restructure their industries; and that in most countries demographic and political forces are more favorable for the expansion of ALMP in the coming years than they have recently been. The cross-national transferability of policy in this area, I argue, is easier than in most policy areas; we can all learn from the policy leaders.

A Summary of Themes from Evaluation

Research: Evaluating Particular Programs

Although the researchers listed in the bibliography come to their conclusions on the basis of informed judgment and rather uneven evidence, and although they differ in their policy preferences, doubts, and enthusiasms, there is some consensus on program effectiveness measured by efficiency and equality: they are most impressed with various training programs, although the obstacles to cost-effectiveness are numerous; they seem to view job creation as a close second; all authors emphasize the need for stable funding and strong administrative structures with tight links to secondary schools; and they are unimpressed with negative strategies such as work sharing, the export of guest workers in hard times, and the forced retirement of the aged.

younger men and women. Thus, even if training programs do not fit immediately available jobs, they may reduce long-term unemployment and increase adaptability and thereby be economically cost-effective. Consistent findings for eight countries are reported below.

The record suggests three major obstacles to the short-run success of training. First, except for Sweden, we see a perverse decline of funding for training when it is needed most (Casey and Bruche, 1985). Second, there is the inevitable difficulty that wage or training subsidies paid to employers without tight control may result in displacements and windfalls -- e.g., youth employment programs that displace traditional jobs for adults or payments to employers who would have hired and trained workers anyway. If controls are too tight, however, employers, especially large firms, will avoid training or wage subsidies.

A related obstacle is "creaming" -- a general tendency to concentrate on the most promising, least-needy recruits.

"Despite growing... long-term unemployment and the heavy concentration of joblessness among unskilled and older persons," Casey and Bruche observe (p. 46) "it was the younger, better-qualified job-seekers who tended to predominate" in the training programs of most countries. The motives are plain: program managers want to look good; employers are risk averse; and, where earnings are a function of average group performance, workers

resist hiring disadvantaged workers who might bring performance down.

In short, there is a great temptation to save the already saved. Haveman and Saks (1985) note that the demise of the Comprehensive Employment and Training Act (CETA) and its job creation and youth programs was hastened by its reorientation toward more targeting of the employment handicapped (e.g., women on welfare). When CETA concentrated on the already saved, it could report good results; when it turned toward the hardcore poor, not only did the research evaluations sometimes look bad, but CETA became politically unpopular.

The political costs of targeting training to the poor are matched by the cost of employer avoidance of the products of such programs -- an effect of stigma. If job training programs are seen as part of the "welfare" system for the hard-to-employ -- as is the case for most American programs including those emphasizing "workfare" -- they share the stigma of the poor (Paul Osterman 1988, p. 30). A clever experiment recently demonstrated the negative effects of American employers' stereotype that trainees in highly-targeted programs are part of the unreliable poor. The experimenters (Burtless 1985) randomly assigned 808 economically-disadvantaged job seekers to three equal groups and sent them to potential employers: the first group carried cash vouchers -- a government subsidy to the employer worth up to one-half of the applicant's first-year wage

← and one-quarter of the second-year wage; the second carried Targeted Jobs Tax Credit vouchers of the same value; the third (control) group did not identify themselves as clients of the employment and training system and offered the employer no such subsidy. Matched in disadvantages, the groups were randomly drawn from the welfare system in Dayton, Ohio, about half on AFDC (typically single mothers in their 20s) and half on general assistance (typically young and members of one- or two-member families). The results were remarkable: during an eight-week training and job-search period the two vouchered groups had a significantly lower placement rate than the group that carried neither a cash subsidy nor a tax subsidy; tax credit vouchers and rebate vouchers were equally damaging to the employment chances of the job seekers. Employers viewed the products of targeted training programs with such suspicion that they refused a bribe; they went for the unstigmatized applicants who in every other way were alike. As we shall see in our eight-country comparison, the ALMP leaders avoid stigma by making training and placement part of an all-encompassing labor-market policy cross-cutting social strata.

Despite these political and economic constraints, most studies report evidence that training and placement programs have considerably reduced unemployment, achieved some rehabilitation of tough cases, and probably facilitated industrial restructuring. All authors who analyze the Swedish case conclude that it is an impressive success story.

Funding and administration. Evaluation researchers emphasize that strong, stable funding and a tripartite administrative structure using well-trained professionals in placement, counselling, and training are critical for the success of active labor-market policies. If a single national labor-market board with regional and local offices coordinates a wide array of policies; if unions and employers participate fully in policy, implementation, and outreach at every level, providing realistic feedback to government administrators as well as political support for programs, then active market policies are likely to be cost-effective.

If these structures can be linked closely to secondary schools to smooth the transition from education to work, so much the better. In Germany, well over half of youths leaving compulsory school at age 16 enter apprenticeships lasting two to three years. This famous "dual system" combines practical training on the job and more general occupational training at a vocational school. The accent is on "polyvalent" (multiple) skills and good work habits. During apprenticeships, training allowances begin low and gradually increase to about half of what skilled workers earn. Retention rates are very high. Because of this tight relation between school and work, unemployment rates among German youths are usually lower than the average for adults. (Schmid, 1985; Glover, 1981.) That pattern persisted through the 1980s (Buchtemann ____, p. 61). Austria and Switzerland, with similar apprenticeship systems, also evidence youth unemployment rates close to (also low) adult rates.

In contrast, the United States sharply separates education and work. It has a weak, understaffed employment service, whose operations are only loosely related to school counselling, testing, tracking, and vocational guidance and training; occupational information in American schools is sparse; apprenticeship, mainly financed by private industry, is a minor

and unstable part of the picture.* Youth unemployment remains far above adult rates.

American neglect of basic education in schools and the radical separation of school from work explain why the U.S. has been uniquely driven to experiment with intensive residential training centers such as the Job Corps, essentially a remedial effort. If Sweden, Germany, and Japan neglected their public schools and routine job training systems as much as the U.S. does, they, too, would be forced into heroic remedial action.

Worksharing. Although increasingly debated and adopted, worksharing is less effective than other measures to reduce unemployment. In general, all authors are skeptical about the claims made for worksharing. Most forms of it -- short-time compensation, elimination of overtime, reduction of the workweek with no cut in pay -- impose direct costs on employers and delay the necessary restructuring of industry; at the same time it creates few new jobs.** Worksharing does nothing for the hard-to-employ or long-term unemployed.

*Beyond the weakness in ALMP, one reason that both British and American employers do not employ apprentices is that they receive up to three quarters of the adult wage compared to 20 to 30 percent in Germany.

**The case for subsidies for short-time work is in dispute: some firms misuse it to subsidize regular fluctuations in demand or production processes. But German studies suggest that during recessions the employment impact of short-time compensation linked to training can be substantial. If the downswing is brief, the employer keeps his experienced workforce and avoids the costs of dismissals and new hires. Workers receive more than they would under unemployment compensation. (See Schmid, 1985; Sengenberger, 1982, pp. 82-83).

Eliminating the aged. A final negative strategy to reduce the labor supply in all rich democracies consists of attempts to remove the aged from the labor force through a combination of coercion and bribes. There is no doubt that for many decades increasing numbers of talented older people have been forced to retire before they choose to. Since 1890, in almost all industrial countries there has been a steady decrease in the labor-force participation rates of older men. The main causes: employer preferences for younger married workers and middle-aged women; government attempts to increase job opportunities for the unemployed young, minorities, and women -- both reflected in the rise of compulsory retirement rules in legislation and in collective bargaining contracts; and, finally, the growing occupational obsolescence of the aged. (Long, 1958; Riley and Foner, 1968; Fisher, 1978; Wilensky, 1981a.) At the same time, increased longevity and improved health have prolonged the years of productive life. The inevitable results of the intersection of these trends is a growing number of able older workers who are excluded from the labor market completely or are chronically unemployed or underemployed. Thus, discrimination against older workers, especially the "young-old" (55-70 and healthy), accelerated as rich countries got richer -- perhaps the only major social category for which job discrimination did not decline in this century (Wilensky and Lawrence, 1979).

Evaluating the General Effects of ALMP:

An Eight Country Comparison*

The literature on labor-market policy I was able to review up to 1987 justifies an impressionistic rank-order of eight countries in the degree of success in implementation of ALMP -- inferences for each country regarding the political and administrative resources it devotes to this policy area, persistence of elite commitment, and achievement of the main goal all of the countries appear to share -- reduction of unemployment. We generated a qualitative judgment first and then compared relevant quantitative data on unemployment. Where authors disagreed about success, we made judgments of the relative merits of data and arguments. To validate the qualitative rankings, we compared them with the average unemployment rate of each country for long periods to smooth out short-term fluctuations and to capture cumulative effects; most of these policies are designed to deal with long-run problems of adjustment anyway.

Although the goals of ALMP include equality (improving the situation of the most disadvantaged), the reduction of skill shortages and production bottlenecks, the improvement of worklife productivity, and even the control of inflation (Rehn 1985; Wilensky 1985), the dominant goal, with strongest mass support,

*The data on which this section is based -- a chronology of policies and sources for estimating their initiation, expansion, continuity, and effectiveness -- are reported in detail in Wilensky and Turner (1987), pp. 55-79.

TABLE 1. ACTIVE LABOR-MARKET POLICY (ALMP) AND UNEMPLOYMENT RATES

Summary ranking of successful implementation of ALMP inferred from literature	Unemployment Rates (avgs. for annual rates by period*)				
	1950-73	1965-73	1974-79	1980-84	1985-88
1. Sweden	1.8% L	2.0% LM	1.9% L	2.9% L	2.3% L
2. West Germany	2.2 ML	0.7 L	3.2 ML	5.7 M	6.5 M
3. Japan	1.6 L	1.3 L	1.9 L	2.4 L	2.7 L
4. Austria	2.1 L	1.4 L	1.8 L	3.2 L	3.5 L
5. Netherlands	1.7 L	1.8 LM	4.9 MH	9.9 H	9.9 H
6. France	2.3 ML	2.3 M	4.5 M	8.0 MH	10.3 H
7. United States	4.9 H	4.9 H	6.7 H	8.2 MH	6.4 M
8. UK	2.7 M	3.1 H	5.0 MH	10.3 MH	10.2 H
Avg. for 19 rich democracies	2.8 (N=19)	2.3 (N=19)	4.2 (N=18)	6.8 (N=18)	7.1 (N=18)

*Sources: OECD Manpower Statistics (Paris: OECD) various years; OECD Labour Force Statistics (Paris; OECD) various years. For all 8 countries except Austria for the early 1950s, the figures are adjusted to conform as closely as possible to the U.S. definition of unemployment. Early Austrian figures from ILO Yearbook of Labour Force Statistics (Geneva: ILO) various years. H = high; M = medium; L = low.

conditions for cost-effectiveness -- heavy resource commitment, a strong labor-market board, tripartite administration, and tight links between school and work.

Like Sweden and West Germany, third-ranked Japan has a strong labor-market board. By the early 1960s Japan had reached its goal of full employment. By 1965 the Public Employment Security Offices, with an extensive network of offices throughout the country, accounted for 70 percent of all placements. By 1970 Japan was spending .4 percent of GNP on ALMP -- less effort than Sweden, the United Kingdom, and West Germany, but more than the United States (OECD 1974:53). The accent was on training, retraining, and mobility incentives. In the mid-1970s a major expansion began, embracing subsidies for employment adjustment for industrial restructuring, vocational training (including training allowances, job search and moving expenses, and targeted subsidies for employers who hire and/or train hard-to-employ groups and workers displaced by industrial restructuring), and an employment stabilization fund -- countercyclical subsidies to deal with temporary layoffs and training -- as well as public works (Japan Institute of Labor 1979a, p. 14, 18-20 and 1979b). Government policies serve as backup for continual enterprise training.

After the 1973-74 oil shock Japan made a remarkably quick employment adjustment; full employment with low inflation was maintained through the 1970s. Although job training is mainly

Switzerland, Austria integrates school and work through an extensive apprenticeship system. Apprenticeship is a grey area in the measurement of ALMP that has yet to be sorted out by analysts of labor-market policy.

Medium-ranking Netherlands had an outstanding performance during 1950-73, almost matching the low average unemployment of Sweden and Japan. Its rank of five reflects the decreasing success of all its policies since the early 1970s. Established just after World War II, its ALMP has been run by a strong General Directorate for Manpower, advised by tripartite local commissions. Success was apparent in placement, regional job creation, apprenticeship programs, and a modest vocational training effort, with some job creation in public service. Concepts, programs, and expenditures expanded greatly after 1969. But ALMP grew increasingly expensive because of the extensive use of government employment as a last resort for the handicapped and unemployed, with full public-employee status and good pay in industrial production centers and the public services. ALMP proved unable to combine effectively with other public policies to prevent unemployment from rising to 12 percent in 1983; unemployment from 1985 to 1988 averaged a high 9.9% -- close to the United Kingdom's 10.2%. Increasing tension and rigidity marked the relationship of the social partners (business and labor).

substantial expansion of ALMP: it strengthened the labor-market board (1,500 new staff jobs), created a new ministry to occupational training, set up local job-creation programs run by tripartite local committees (250 by 1982), and expanded subsidies to firms for hiring the hard-to-employ. The Mitterrand/Mauroy government also pushed for worksharing. Although there have been scattered successes (Mouriaux and Mouriaux 1984), the net effect is in doubt. Clearly, ALMP was not able to counter other Socialist policies in 1981 and 1982 that increased the unemployment rate -- reflationary measures in the face of austerity measures adopted by France's trading partners, increased minimum wages and social spending, nationalizations that increased managerial uncertainty and alienated business and banking circles. Reversals in these policies came too late to repair either the economic or political damage. Although France fits our hypotheses before Mitterrand, it was an exception in the early 1980s.

The United States had no ALMP during 1946-62; in fact, a rather active employment service was gutted after World War II and became a passive agency for employer and veteran needs, by the 1980s accounting for less than 10 percent of new hires. From 1962 to 1982 the United States adopted a moderate range of job-training and job-creation policies, with some success. From a very limited base, funding climbed through the Johnson, Nixon, Ford, and Carter administrations. With minor fluctuations, annual federal outlays in employment and training programs moved

that of the last Labour government; the main policy instrument has been the Youth Training Scheme (Casey and Bruche 1985:56; McArthur and McGregor 1986).

The big problem for the United Kingdom has been disjunction between ALMP and other policies such as fiscal and monetary measures to fight inflation and defend sterling (Moon 1984:34). Unemployment rose from 2.6 percent in 1970 to 12.2 percent in 1982. ALMP has doubtless created some jobs and trained workers, but unemployment remains very high. Despite the recent ALMP expansion, the success of ongoing industrial and employment-adjustment efforts remains very much in doubt.*

In a recent study reviewing comparative evidence, Finegold and Soskice (1988) conclude that Britain is stuck at a "low-skill equilibrium" because it combines poor performance during compulsory school years (measured by international mathematics

*Critics of "European" labor-market policies argue that comparisons of the unemployment rates of the United States and, say, those of Sweden, Austria, or Germany are misleading because they ignore the superior job-creation record of the United States, at least since 1976. For a discussion of the ambiguity of growth in rates of employment (vs. unemployment) as a measure of economic performance, see Wilensky and Turner (1987), Appendix B. It shows why there is no consensus on this issue, while there is general agreement that the combination of low unemployment, low inflation, and high persistent real growth in GDP per capita is desirable. My analysis of employment growth in 18 countries shows that it is unrelated to economic performance by the usual measures; that, at the extremes, the star job creation machines from 1968 to 1987 (United States, UK, and Australia) are often the great unemployment machines (except for 1980-84); and that the major cause of job creation is the relative rate of increase in the supply of cheap labor -- especially migrants, young people, and women, especially divorced women, in low-wage jobs. There is a tradeoff between job creation and increased productivity and rising standards-of-living.

If we concentrate only on the increased post-program output and earnings, as is typically done, we would miss almost half the societal benefit shown for the Job Corps. For instance, the net social value of reductions in arrests -- reductions in criminal justice system costs, personal injury and property damage, and the value of stolen property -- amounts to about \$2,000 per Corpsmember during the observation period. Apparently, while many matched non-Corps youth were vigorously engaged in robbery, burglary, larceny, barroom brawls, rolling old men in back alleys, peddling drugs, and an occasional murder -- all the while collecting an average of \$1,357 more in AFDC, General Assistance, Medicaid, Food Stamps, Unemployment Insurance, and Workers' Compensation than Job Corpsmembers collected -- the Corpsmembers were off the street during training and often worked in conventional jobs afterward. Some minor savings came from reduced drug/alcohol use; but the big savings were in the reduced criminal activity accompanying their use.*

Incidentally, the researchers used rather conservative assumptions regarding the fading effect of the benefits: "As long as the benefits do not decay extremely rapidly, that is, greater than 50 percent per year after the two-year postprogram

*President Reagan proposed to wipe out the Job Corps (Wall Street Journal, December 6, 1984). At the logical and ludicrous extreme, a "neo-conservative" cost-benefit analyst could defend its elimination by costing out a number of potential savings: society would benefit from the greater number of murders (lower medical and pension costs for the deceased); then there is the gain to free enterprise (self-employed fences would profit from the increase in stealing).

goals: not only increased output from Corpsmembers (and related earnings increases), but also reduced dependence on public assistance and less antisocial behavior. Long after its budget declined, Long et al. (1981) published their estimates of program effects. They collected data in periodic interviews with Corpsmembers and with a comparison group of similar youths who were never enrolled -- a baseline survey of the two groups in May 1977 followed by two additional interviews. Baseline and followup data were available for about 5,100 youths. By the time of the second followup in April 1979, the Corpsmembers had been out of the Job Corps for an average of 18 months and for as long as two years. Their average training period was 5.9 months. To estimate the Job Corps' impact for the period covered by the interviews, researchers used multiple regression technique, controlling for both observed and unobserved differences between Corpsmembers and comparison youths.

What is most useful about this study is its social accounting framework. This appears in their summary table (see Table 2) showing estimated total annual costs of the program to society, including Corpsmembers (\$5,070 in 1977 dollars) and the total benefits to society (\$7,343) -- for a net gain to society of \$2,271 per Corpsmember.

[Table 2 here.]

to provide preschool education and health care to young children of the poor, was pronounced a failure by the limited criteria of evaluation research; yet it remained politically popular.*

In fact, after sharp cuts in funding of both social and labor-market policies, more recent, more sophisticated evaluation research -- taking account of long-term effects and a wider range of gains and costs -- has shown that both the Job Corps and Head Start were impressively cost effective.

There may be a corollary to Wilensky's law: not only does single-issue, short-term evaluation research subvert program development but evaluation research breeds more evaluation research. Once a culture of evaluation research is established with its supporting think tanks, training programs (e.g., schools of public administration or public policy), and agency research units, then

*The research pronouncing failure was seriously flawed. For instance, research concluded that a brief stint in a special school, as one might expect, brought only a small, temporary improvement in reading readiness, which faded after the first grade. A Rand Corporation evaluation of the evaluations, however, noted that research on Head Start and on similar programs for older children did not assign treatment and nontreatment children on a random basis, evaluated unrepresentative projects, were contaminated by "radiation effects" spilling over from project to nonproject children, or had other defects (Aaron, 1978, p. 84). In the case of tests of reading achievement of older children, the fading effect after a year (losing ground during the summer) ignored the differences between students in summer school and those whose only compensatory education was administered by street gangs (Heyns, 1978). Thus, although Head Start was at first an evaluated failure, follow-up studies, better designed, suggest more success (Lazar, 1979; Schweinhart and Weikart, 1980). But whether evaluation research found failure or success, Head Start remained popular in Congress; the Bush administration has joined Congress in support of increased funding in 1990.

Univ. of Calif., Berkeley
March 14, 1990

H.L. Wilensky, Tax and Spend 28
Active Labor-Market Policy

projects, the less follow-through. In no other policy area in the United States -- not even in the Pentagon -- has the demand for rigorous evaluation research loomed so large. And nowhere among the rich democracies has such research been so politicized. Three problems are apparent: (1) the research itself is usually quite narrow, politically naive, and in design and execution often seriously flawed; (2) research focused on a single program obscures the interaction and interdependence of many programs (e.g., education in schools, job training programs, and job creation); and (3) evaluated success has had little to do with program funding.

Consider earnings gains as an evaluation criterion for job training, a typically narrow efficiency measure. Reflecting on extensive evaluation research in the war on poverty, Aaron observes that research was guided by the "impulse to isolate individual influences; to make complex social and economic processes statistically and mathematically manageable through abstraction" (Aaron, 1978, p. 156). The interdependence of policies is thereby obscured. Thus, in Aaron's words (pp. 156-157):

...improved education and training may be ineffective in increasing earning capacity unless steps are also taken to change the mix of available jobs, and efforts to change the mix of available jobs may fail if low-wage workers lack training and education. Either taken alone might fail, when both together might succeed. Research and experimentation would detect the failures but have no way to indicate the hypothetical potential success. A rather vague assumption of such an interrelatedness marked early political rhetoric about the War on Poverty but was wholly

observation period, the program is economically efficient" (Long et al., p. 69).

Finally, if we consider unmeasured variables, it is plain that this study, as comprehensive as it is, nonetheless shares a common limitation of all such studies: the unmeasured costs incurred when we put people through these programs (e.g., the value of trainees' foregone leisure) are seldom as numerous and important as the unmeasured benefits over the long pull. For instance, if trainees come to prefer work over welfare and increase their self-esteem from holding regular jobs; if society prefers employment and training over welfare; if everyone prefers a reduction of poverty and wider sense of well-being, how do we measure those benefits?*

Many labor-market policies in the U.S. are funded for a short period and at such a meager level that the fuss about their alleged failure to solve some huge problem is absurd. Some of these programs were hardly launched before they were shot down in a cloud of complaints about great costs and limited benefits, often reinforced by short-run, single-issue, evaluation research. In the rare case where careful evaluations were made and evidence was found of some modest success, the results were pronounced as benedictions at the graveside. Political success may have been

*It is revealing that Sweden, which spends the most on implementing labor-market policies and avoids single-issue evaluation, undertakes "general level of living" surveys that emphasize the effect of all social and economic policies. Such surveys attempt to assess the typically unmeasured aspects of the standard of living.

inversely related to evaluated success. In the absence of effective coalitions of politicians, bureaucrats, and experts, in the absence of a system for aggregating interests, achieving consensus, and integrating social and economic planning, each interest group can interpret research results according to its preconceptions with no accommodation to opposing preconceptions. The voice of research, even scholarly analysis, is drowned out by the noise.

It is small wonder that the pioneers of active labor-market policies who have embraced training and placement as a religion -- Sweden, Japan, and Germany -- are reluctant to divert their energies to this new industry of evaluation research. As an early head of the Swedish Labor Market Board said when confronted with the suggestion that he undertake extensive program evaluation, "No, let's get something done instead" (personal interview). Some practitioners of the art see the real tradeoff as investment in human resource and active labor-market policies vs. soaring welfare and unemployment insurance costs plus an abundance of misleading evaluation research.*

*When Swedish planners do undertake specific program evaluation -- the two main agencies are the National Audit Bureau (RRV) and the Swedish Agency for Administration Development (SAFAD) -- they seek cooperative relationships between researchers and program managers and emphasize the evaluation of effectiveness (achievement of major goals). In contrast, evaluation researchers in the American and British governments tend toward adversarial "efficiency audits" (where the evaluations expose waste and fraud and try to force change on the target agency). For a comparison of Swedish and British evaluation research, see Richardson (1982).

dollars for an economy of United States' size. Its unemployment rate for the past 20 years (since data comparable to U.S. labor force surveys have been available) has remained below 4 percent; the average is much lower. Further, as Rehn (1985) persuasively argues, the commitment of resources and the low unemployment rate are tightly connected.

Finally, if we average annual inflation rates and do the same for real annual GDP growth per capita per year from 1950 to 1974 and compare the performance of the 19 rich democracies with a population of a million or more, Sweden comes out about average in inflation and only slightly below average in growth (the U.S. was tops in controlling inflation, but among the worst four in both growth and unemployment). After the oil shock, despite its much greater oil dependence and negligible domestic supply of energy, Sweden's job creation record in the late 1970s put it near the top of OECD countries: Sweden's labor-force participation rate grew faster even than that of the U.S.; its female labor-force participation rate climbed to 75 percent.

This excellent performance in utilization of human resources and average economic performance by other measures was accompanied by the development of a civilized welfare state (Sweden is a welfare-state leader -- or if you prefer, a profligate spender and a confiscatory taxer -- and is the world beater in social and economic equality); all this with very little tax-welfare backlash. (Wilensky, 1976, 1978, 1981b; Wiles, 1974.) In short,

differences in ability-to-pay by region and sector. Less profitable firms would thereby be forced to become more efficient or shut down and workers would be displaced.

2. The government should not try to eliminate all unemployment through Keynesian management of aggregate demand (too inflationary).
3. The unemployment resulting from "1" and "2" should be countered by an active labor-market policy -- commitment to placement and counselling services linked to mobility incentives (to encourage mobility from weak to strong regions and sectors) and an expansion of training and retraining opportunities.

In the more difficult times of the seventies and eighties, when worldwide recessions reduced private sector employment and resistance to labor mobility increased, Sweden added regional employment subsidies and greatly expanded other labor-market policies. Second, it expanded public sector employment (by 1979, almost 30 percent of all employment). Third, it expanded part-time jobs to about one-quarter of the labor force --the highest in Europe. Throughout the three decades, in order to protect its competitiveness and limit unemployment, Sweden avoided heavy taxes on private sector profits and investments and frequently made the necessary tradeoffs to encourage wage constraint; it financed the welfare state by mass taxes, as other big social spenders have done.

Rehn (1985) shows how these ideas and policies worked out in practice; he accents the central role of active labor-market policy as a source of social consensus, reducing worker hostility to industrial readjustment. He shows that ALMP can at once reduce unemployment and, what is seldom recognized, help control inflation by improving lifetime productivity and meeting skill

other words, structures and policies to cushion the shocks of industrial readjustment.

Transferability: Can the Laggards Learn from the Leaders?

Obviously, neither the U.K. nor the U.S. will move quickly toward the Swedish model. As yet they lack the centralized structures of bargaining that permit labor, management, and the government to create sufficient consensus for the integration of social, labor, and industrial policies. The scope of American and British bargaining on these issues is narrow; policy segmentation is extreme. However, even if no major shifts in the structure and interplay of government, labor, and industry occur, even if no new channels for big-bloc bargaining are cut, we might still see an expansion of active labor-market policy.

Beyond the economic and political shocks of the years ahead there are three reasons to suppose that more action in this area is politically feasible and may even come to pass in the next decade or so: ALMP does not require Left or social democratic power; a pool of relevant administrative talent is already in place; and demographic trends are favorable.

Labor-market policy is not confined to the Left agenda.

Conservatives from Margaret Thatcher in Britain to the Center-Right coalition in West Germany, after some initial cutbacks, have in recent years supported the expansion of ALMP. Both

Univ. of Calif., Berkeley
March 14, 1990

H.L. Wilensky, Tax and Spend 42
Active Labor-Market Policy

development and fundraising, as well as good contacts with local and federal officials. Many are alumni of President Johnson's Great Society programs, including CETA, MDTA, and the Neighborhood Youth Corps. Many, perhaps most, know the limits and possibilities of these programs. These seasoned "program professionals" provide a base for action whenever the political will develops.

It is not too much to suppose that there is now a British counterpart: the veterans of nearly a decade of expansion of ALMP provide a pool of experienced trainers, planners, and administrators. They are a product of the New Training Initiative (NTI) of 1981 whose centerpiece was the Youth Training Scheme (YTS), with its successive reforms; the Technical and Vocational Education Initiative of 1982 (TVEI), an attempt to increase the industrial relevance of secondary-school curricula through teacher training and curriculum assessment; which led to the establishment in 1986 of the National Council for Vocational Qualifications (NCVQ) with the mission of rationalizing all training into five levels, ranging from YTS to engineering professionals; and the Training Opportunities Scheme (TOPS), the Job Training Scheme (JTS and new-JTS), providing short-duration training and work experience for the long-term unemployed. However uncoordinated and inefficient all these acts and agencies may be, they must have provided practical experience upon which a seriously committed government can build.

Sweden, Germany, Japan. For three reasons, their policy experience is more transferable than experience in other policy areas and other times: ALMP finds support from parties of both Left and Right; a fund of talent and experience is now widely diffused; and the baby boom has turned into a baby bust, thereby opening a window of opportunity in the 1990s as smaller cohorts enter the labor force, reducing program costs.

If policies are transferable to the policy laggards, is American-style evaluation research also transferable? Although I am skeptical about the benefits to Europe of the American evaluation research industry, it appears to be spreading at least in small measure. In the past 15 or 20 years, policy researchers in Germany, the UK, and Canada have shown interest in American-style cost/benefit analysis of particular programs (Levine, 1981, pp. 27-60; Fitzsimmons 1981, pp. 107-130; and my interviews).

However, like the quick spread of the Planning-Programming Budgetary System (PPBS) from the United States (Wilensky, 1967, pp. 183-191) to Britain, France, Germany, Canada, and Belgium and its quicker demise (Levine 1981), this scattered enthusiasm may pass. Receptivity to such evaluation research is likely to be greatest in least-corporatist, most-fragmented and decentralized democracies. The United States is at one extreme: its decentralized federalism, its ~~fragmented and~~ diffuse decision-making process, and its increasingly polarized politics, with the mass-media, single-issue groups, and the courts filling the policy vacuum -- all foster research that is short-term, narrow,

Univ. of Calif., Berkeley
March 14, 1990

H.L. Wilensky, Tax and Spend 46
Active Labor-Market Policy

68-72, 80-86; Fitzsimmons, 1981). Until recently, little evaluation was done on job training in Germany; hence there was little criticism and substantial action (Janoski 1986, p. 185).

With or without evaluation research and its sometimes perverse effects, the rich democracies can learn much from one another, from the scores of policies and programs that have been adopted to minimize the waste of human resources and to develop the talents and skills of the entire labor force. It is not the lack of proof of the success or failure of ALMP that blocks progress among the ALMP laggards; nor is it solely the absence of centralized structures for bargaining among labor, management, and the state; it is the failure of political will.

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