Benchmarking carrots and sticks: developing a model for the evaluation of work-based employment programs

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Citation for published version (APA):
Summary in English

Many attempts have been made at evaluating active labour market policies in various countries. These evaluations have for objective to discern the best intervention strategies for helping the unemployed to return to the labour market. However, the methodology for evaluating employment programs is still being developed, meaning that the results of evaluations are often contradicted from one study to the other, and their methodologies are heavily debated. This created difficulties in confirming the success of active labour market policies, which contributed in shedding some doubt on whether these are effective in quickly helping the unemployed to find a job. It is thus clear that new methodologies need to be developed which would foster a consensus on whether active labour market policies are working or not.

This debate on the effectiveness and efficiency of active labour market policies supplemented the already well established neo-liberal criticism that interventions on the supply-side of the labour market were economically inefficient. The questioning of the need for government intervention in the labour market coincided with a trend of large amplitude in the area of public governance: New Public Management. According to this governance model, governments are inherently inefficient at delivering goods and services because of the lack of competition. Solutions to this were found in giving the right incentives for efficient service delivery, which were to be implemented by: 1) decentralisation; 2) integration and coordination; and 3) new management techniques and contractualism (Finn, 2000). Moreover, New Public Management introduced new ideas on how to look at the public sector, and also brought new methods and instruments for the analysis of policy and government actions. In fact, New Public Management created the need for instruments which facilitated the replacement of a legal-bureaucratic basis of government decision making by a system of decision-making based upon a code of performance (Considine, 2001).

Benchmarking is one of these concepts which were introduced through New Public Management. It is an evaluation method in which the performance levels of different organisations are compared, either relatively to each other or to an absolute value. Furthermore, benchmarks identify performance gaps such that the explanations behind best and worse practices can be identified. In the last years, benchmarking has become a very fashionable evaluation tool in the field of public administration. As a result, it is gradually being introduced into the field of social policy. A well known example of social benchmarking is the
European Employment Strategy of the European Union. Nonetheless, attempts to use benchmarks in order to analyse social policies are still uncommon, and the indicators measured by the current social benchmarks remain rather basic in most cases. One of the main reasons for this lack of practical use of social benchmarking is that no model is thus far available through which extensive conclusions could be drawn on the effectiveness and the efficiency of social policies. In fact, most social benchmark fail to build mechanisms through which the source of performance gaps can clearly be identified.

Seeing the need for innovative research methodologies to find out what works and what does not work in the field of active labour market policies, social benchmarking could prove to be a useful instrument for researchers, evaluators and policy-makers alike. The central question answered by this research is thus: Is benchmarking a useful instrument for evaluating labour market policies, and if so, how should it be used? The aim of this research is to propose a social benchmark model which can be used to measure the performance of active labour market policies in order to identify the elements of success of well performing programs.

Furthermore, the often used proverb of "the proof of the pudding is in the eating" also applies to the construction of this social benchmark model. It is indeed necessary to illustrate how the proposed social benchmark model can be used to evaluate employment programs. This way, clearer recommendations can be made on how to use the model for evaluations and the limitations of the methodology can be more easily exposed. As a result, this research carries out an international benchmark of a labour market policy.

The choice of the specific program to be benchmarked is guided by the increased focus on activation policies and the regain of popularity of "workfare" types of programs. While some countries give the name "workfare" to those programs, other countries prefer to speak of "work first" programs or use other expressions. All in all, these programs have the common features that they are mandatory of participation and that they require the participants to take part in some type of work-activities. These programs often also provide job search assistance and training of varying intensity.

The relevance of an international benchmark for work-based employment programs lies in the fact that, despite their increase in implementation, it is still unknown which approach performs the best. In addition, the determinants of good performance of those types of programs are still not clearly understood, such as the impact of sanctions on the rate of exit to
work of the program. Actually, even though most programs found around the world imported some aspects from popular American workfare programs in California and Wisconsin, the programs set up within other countries around the world all vary greatly in their approach. Amongst others, Lodelmel and Trickey (2000), Peck (2001), Handler (2004) and Ochel (2005) have made key attempts at describing the workfare / work first programs in several countries and at compiling their evaluation results. However, they did not proceed to a direct comparative evaluation of their results, neither did they attempt to correlate the different approaches to specific levels of performance.

Considering the growing attention given to work-based employment programs and the amount of criticism they face, it is important to quickly remedy this lack of information on the precise approach found in these countries and the different results attained by these different approaches. Through the use of the social benchmark model, this research thus also aims at contributing to the body of evidence concerning the performance of work-based employment programs around the world. In view of important selection criteria, such as the level of development of the program, the availability of data on results and design, and the similarity in social security system behind the programs, the programs in five countries were selected to be taking part in the benchmark. Those are: the New Deal for Young People and the New Deal 25 plus in the UK, Work First programs in Dutch municipalities, the Temporary Job program and the “Revenu minimum cantonal d’aide sociale” in the canton of Geneva in Switzerland, the Ontario Works program in the province of Ontario in Canada, and the Work for the Dole program in Australia.

This dissertation is made up of two parts, the first part in which a social benchmark model is developed to evaluate active labour market policies in general and work-based employment program in particular, and the second part in which the work-based employment programs in five countries are being benchmarked in order to show which approach performs the best.

Chapter one gives an introduction to the research questions and the various subjects central to this thesis. It introduces in more detail the trend of activation of the unemployed. The chapter shows how this new trend has induced a rise in conditionality in many benefit schemes and an increase in the actions which need to be undertaken by the unemployed in order to find a job. In addition, this first chapter discusses the increasing focus on the performance of public programs brought about by New Public Management, which creates the need for enhanced performance measurement methods.
Chapter two partially answers the central research question of whether and how benchmarking can be useful for the evaluation of active labour market policies. It first looks at the definitions, methods and theories of benchmarking that can be found in the management science literature and in evaluations of active labour market policies. It then presents a model of benchmarking which allows the comparison of the performance of different labour market programs and make it possible to reveal the determinants of success and failure of such programs. This model is based on the policy-chain, and thus includes performance indicators of the input, process, output, impact and exogenous factors of each program. This chapter concludes that the strength of benchmarking clearly lies in its ability to use both qualitative analysis as well as quantitative analysis in order to make conclusions on best-practices.

Work-based employment programs are introduced in chapter three. First, these are placed within the broader context of activating labour market policies. Then, a definition of the type of programs is given, clarifying the differences between concepts such as work first, workfare and work-based employment programs. Third, the theories behind the intervention strategy of work-based employment programs are discussed, and a three-dimensional intervention strategy is presented. According to this three-dimensional intervention strategy, the various components of work-based employment programs attempt to increase the ability to work, and/or the willingness to work, and/or access to work. Interventions on the labour market can also be seen in terms of positive or negative incentives to return to work. These “carrots” and “sticks” are used in varying combinations in the different intervention strategies of work-based employment programs, and will thus lead to different choices of input and process.

Chapter four finalizes the benchmark model and answers the questions of which performance indicators should be taken into account when benchmarking work-based employment programs. The benchmark model presented in chapter two, which is based on indicators of input, process, output and impact and exogenous factors, is then filled-in with the relevant performance indicators for each of these categories. This chapter presents a discussion for each of the benchmark indicator on the way it should be measured and compared between the different countries.

The first part of the research is summarised in chapter five. Clearly, the social benchmarking model developed in this research finds itself at the intersection of quantitative and qualitative research methodologies. On
one side, it is much more detailed in its accounts of influential factors than what is mostly done in quantitative analysis. On the other side, the benchmark model goes much further in quantifying and aggregating information than most qualitative research do. Social benchmarking is found to be useful for the evaluation of active labour market policies since it allows drawing conclusions on overall level of performance and showing how different inputs and processes may lead to different levels of efficiency and effectiveness.

Chapter six to ten will make-up the second part of the research, each discussing one of the five categories of indicators from the policy chain. Each of these chapters will tackle both the qualitative as well as the quantitative analysis of the indicators. Inputs are found to be highest in the Dutch Work First programs and in the Ontario Works program. The process is also high in the Dutch programs, but even higher in the Employment Option of the New Deal for Young People. In terms of output, the two New Deal programs from the United Kingdom had the best results. Indicators on the impacts being very difficult to gather, gross return to work ratios are used to compare the results in each program. According to this indicator, the best performance is found in the two New Deal programs in the United Kingdom as well as in the Work First programs in the Netherlands. The discussion on the external factor is mostly qualitative and indicates a smaller amount of variation between the countries than when the rest of the policy chain was being benchmarked.

Chapter eleven concludes part 2 of this research. It aggregates the findings in the five benchmarks in the previous chapters and shows which approach to work-based employment programs performs best within the group of programs included in the benchmark. Besides presenting rankings based on the five categories of indicators, an index is constructed in which the positive and negative incentive structure (carrots and sticks) of each programs is measured and compared. From this chapter, it is concluded that the efficiency of the New Deal for Young People Employment Option and the Dutch Work First programs can be mostly explained by their high efficiency level all throughout the policy-chain. Moreover, for optimal outflow to work, a balance in positive and negative incentives needs to be present.

The last chapter, chapter twelve, formulates recommendations regarding the social benchmarking methodology developed in this research as well as regarding the main lessons from determinants of success of the work-based employment programs found in this international benchmark. The research question of whether benchmarking is a useful instrument for
evaluating labour market programs is certainly being answered positively. The second part of this research showed that much could be learned from an extensive discussion and comparison of the input, process, output, impact, and external factors of work-based employment programs. This exercise provided a good example of how benchmarking can assist in making better programs which are able to increase the effectiveness and efficiency of labour market policies.