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# **Contracting out Employment Services Involving Temporary Agency Work in Germany**

Ochel, Wolfgang

ifo Institute for Economic Research

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# Welfare-to-work experiences with specific work-first programmes in selected countries

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*Wolfgang Ochel*

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Ifo Institute for Economic Research, and CESifo,  
Munich, Germany

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*This article reviews the evidence of specific mandatory work-first programmes (job search assistance and workfare) for welfare recipients in the United States, the United Kingdom, Denmark, the Netherlands and Germany.*

*It primarily refers to experimental and econometric evaluations of single programmes and to meta-evaluations.*

*The effectiveness of specific programme elements in promoting the transition from welfare to work is summarized.*

*The advantage of combining work-first with training programmes and in-work benefits is discussed. As the diversity of programmes, target groups, research designs, etc. makes cross-country comparisons difficult, policy conclusions are drawn with caution.*

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In the past two decades the system of basic social protection has been realigned in some OECD countries. The reforms are marked by a change from passive to active social policies with the aim of integrating recipients of social benefits into the regular labour market. These welfare-to-work policies include financial stimuli (in-work benefits, cuts in other benefit entitlements), work-first measures, training and skill development and work support subsidies (like childcare and transportation assistance).<sup>1</sup> One important element of work-first measures is job search assistance. It com-

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1. Parallel to welfare-to-work policies, active labour market policies for job promotion among recipients of unemployment benefits have been developed in many countries. They are — as a rule — not included in our review.

prises many different types of services which aim at making the matching process more efficient. The other important element is workfare. It can be defined as “programmes that require people to work in return for welfare benefits”. Here, too, the programmes can be quite diverse.

Most evaluations of welfare-to-work policies have been primarily directed at measuring the combined effects of all policy measures. There is very little knowledge of the effects of specific instruments. This knowledge, however, is crucial in order to design welfare-to-work policies adequately. This article will review the evidence of specific mandatory work-first (or employment) programmes. It will primarily refer to experimental and econometric evaluations and to meta-evaluations. Random assignment experiments and econometric evaluations provide reliable estimates of the effectiveness of single programmes. Meta-evaluations examine the extent to which variations in estimates of the impact of multiple programmes can be explained by differences in programme content, programme participant characteristics, and socioeconomic conditions at the programme sites.

Mandatory work-first programmes were begun in the United States in the 1980s and in countries such as the United Kingdom, Denmark and the Netherlands in the 1990s, with stronger efforts now being made also in Germany. The following review will cover only evaluations of programmes implemented in these countries, although other countries have implemented mandatory work-first programmes too. The United States is chosen because of its leadership in evaluating welfare-to-work programmes. The United Kingdom and Denmark figure among the countries with the strictest activation with respect to welfare recipients in Europe. The choice of the Netherlands and Germany is more or less arbitrary.

## Evaluation challenges and methods

### *Evaluation challenges*

Estimating the effects of the above-mentioned programmes creates evaluation challenges. In order to produce a reliable estimate of a policy effect, one must control for all other environmental influences. Policy effects have to be separated from economic performance effects. Evaluations are also confronted with information problems. Welfare-to-work policies have been introduced only recently. Data sets designed to collect information on this new policy approach are only partially available. Another problem arises from the fact that, very often, it is municipalities that design and implement welfare-to-work policies. The programmes are thus diverse and the quality of administrative data sets provided by municipalities varies too. This cre-

ates problems of comparability of evaluations. Furthermore, not all programme elements are easily measured and coded, and it is especially difficult to get information on implementation practices and enacted programme rules (Blank, 2002, pp. 1120-21).

### *Evaluation methods*

Three microeconomic approaches have been mainly used to study the effects of welfare-to-work policies. The intention of leavers' studies is to analyse the behaviour and well-being of those who leave welfare because of welfare-to-work programmes. These studies generally use administrative and survey data. Persons on welfare at a specific point in time are surveyed at some later point regarding their employment and income situation. Leavers' studies have a great disadvantage, however. They tell us almost nothing about the true effects of the welfare-to-work programmes. At best they provide information on how ex-welfare recipients are faring, but nothing causal about policy can be deducted from these studies (Blank, 2002, pp. 1123-24). That is why we do not include leavers' studies in our evaluation survey.

A second approach to studying the effects of welfare-to-work programmes makes use of random assignment or social experiments. In this case, the differences between the outcomes for an experimental group and a control group are used as a measure of the programme effect. From a group of potential participants, the experimental group is randomly chosen to receive new programme benefits. The control group is randomly chosen not to receive the new programme benefits and thus is unaffected by the new programme, this being the only difference between the two groups (Schmidt et al., 2001, pp. 23-32). When appropriately designed, experimental evaluations are viewed as highly reliable. These experiments may, however, have limitations. This is the case when programmes also influence the control group or when the experimental group is not stable over time. Experimental programmes may have less significant effects than larger or permanent welfare reforms (Blank, 2002, pp. 1122-23; Garfinkel et al., 1992; Hagen and Steiner, 2000, pp. 51-53).<sup>2</sup>

The third evaluation approach uses econometric assessments. In contrast to social experiments, these are based on non-experimental data collection. The main drawback of this procedure is the problem of a selection bias re-

2. Moreover, the distributional effects on individual persons within the experimental group cannot be measured. Experiments can, however, be used to estimate changes in the distribution of earnings, income, etc. as a whole (Bitler et al., 2003).

sulting from non-random participation of individuals in employment programmes. In this case, participation in a measure is correlated with factors that may also influence the success of the measure. In order to (partially) solve the selection problem, two approaches are favoured in the evaluation studies under consideration: the matching method includes the construction of a “comparable comparison group”. In this method, for every participant an approximately similar person is chosen from the group of non-participants. The attempt is made to consider all relevant variables and to carry out the selection only on the basis of observable factors. The duration model concentrates on the length of employment and unemployment phases and the respective transfer ratios. The selection process is typically modelled explicitly with respect to unobservable heterogeneity (Heckman et al., 1999; Schmidt et al., 2001, p. 125).

Random assignment experiments and econometric evaluations measure the effectiveness of single programmes. These evaluations are, however, rarely able to determine how differences in programme design and implementation,<sup>3</sup> participants’ characteristics and the socioeconomic conditions at the programme sites affect the impact of welfare-to-work programmes. As they do not compare different programmes, they cannot adequately answer the question: “What works best, when and where, and for whom?” The comparability and applicability of single programme evaluations are thus limited. Meta-evaluations try to overcome these shortcomings. They seek to find out how the implementation of programmes, their environmental conditions, etc. influence their effectiveness. Meta-evaluations are based on findings of a relatively large number of random assignment evaluations. They synthesize these findings and explore the factors that can best explain differences in performance. For meta-evaluations, comparability of the primary studies is important. Policy interventions, the targeted population, etc. should be broadly comparable. On the other hand, a certain variation should exist in the types of programmes implemented, in order to establish which programme components work best. Two large meta-evaluations of mandatory welfare-to-work programmes have been implemented for the United States (Ashworth et al., 2004; Bloom et al., 2003).<sup>4</sup> Cross-national meta-evaluations do not exist.

3. Implementation studies provide useful information about operating practices, client involvement, etc. but often do not include impact analysis.

4. A meta-analysis of government-sponsored training programmes has been prepared by Greenberg, Michalopoulos and Robins (2003 and 2004).

## Job search assistance

One important element of work-first measures is job search assistance. The aim of job search assistance is to make the matching process more efficient in order to raise employment. Job search assistance comprises many different types of services. One of them is job-brokering. Other services consist of initial interviews at the public employment offices, organizing collective information sessions or job clubs, in-depth counselling at some stage during unemployment, etc. Self-motivated, unemployed welfare recipients make use of these opportunities on their own initiative. However, an obligation to participate in assistance measures is frequently imposed. These obligations are usually combined with intensive monitoring and the use of sanctions (OECD, 2001, pp. 35-48).

### *Non-compulsory job search assistance*

There are not many countries that offer non-compulsory job search assistance. One example is the United Kingdom. The New Deal for Lone Parents (NDLP), a voluntary programme introduced nationally in October 1998, aimed at helping lone parents into work, improving their job readiness and supporting them in finding employment.<sup>5</sup> The key feature of the programme is a network of personal advisers who offer work-related guidance through a series of interviews and contacts with participants. About 317,000 lone parents participated in NDLP between October 1998 and September 2002. In May 2002, 9 per cent of lone parents on Income Support took part in the programme. This is a low rate of coverage (Evans et al., 2003, ch. 2). Although the aggregate impact was limited by low take-up rates, the NDLP was successful for those who used it. Six months after participation, 43 per cent of participants had entered full-time and part-time work compared with 19 per cent of matched non-participants. This suggests that 24 per cent of lone parents found work who would otherwise not have done so (Lessof et al., 2003, p. 110 and Table 1). The effectiveness of NDLP is due to its highly motivated and committed personal advisers, their caseload management skills and their autonomy.

5. Participation in the NDLP is not compulsory, but attendance at a work-focused interview was made obligatory for all benefit claimants in the so-called ONE programme pilots. These provide a single point of entry for unemployment and other benefits, bringing together the Employment Service, local authorities and Benefits Agency staff to offer advice in one place. Within the ONE programme, interviews are now scheduled to take place annually.

**Table 1. Effects of job search assistance<sup>a</sup>**

Study	Programme	Period	Dependent variable	Method; data	Results
<b>United States</b>					
Bloom and Michalopoulos (2001); <sup>b</sup> Hamilton et al. (2001)	Eight programmes that used only mandatory employment services with a focus on job search <sup>c</sup>	Began in the late 1980s and early 1990s; results for three years after random assignment	Employment earnings; welfare benefits; budget costs	Random assignment research design; data for programme group and control group	Employment in the programme group more than 10 percentage points higher than in the control group. Earnings increased by at least US\$ 400 a year with JSF programmes, increase higher than in education-first programmes but lower than in mixed programmes. Welfare benefit reductions
Bloom and Michalopoulos (2001); Miller et al. (2000)	Minnesota Family Investment Program (MFIP)	Began in 1994; results for three years after random assignment	Employment earnings; welfare benefits; budget costs	Random assignment research design; data for programme group and for control group	The MFIP evaluations allow measurement of the separate impacts of the mandatory employment services and earnings disregards. The employment-related services increased employment and earnings; the financial incentives were critical for increasing income and reducing poverty
<b>United Kingdom</b>					
Evans et al. (2003); Lessof et al. (2003)	New Deal for Lone Parents (NDLP)	October 1989 to September 2002	Participation in NDLP; employment six months after programme	Interviews with 1,250 participants and 1,250 non-participants	Participation in NDLP: 9% of lone parents on Income Support (IS) in May 2002; 43% of NDLP participants have entered work compared with 19% of matched non-participants. Around 29% of participants return within 12 months from work onto IS. Key factors identified in the effectiveness of NDLP: motivation, autonomy and caseload management skills of personal advisers

Denmark					
Bolvig et al. (2001)	Active Social Policy (ASP)	1997 to 1999	Duration of welfare spells and employment spells	Duration model; longitudinal register-based data, Aarhus	Counselling and labour market introductions have a locking-in effect for persons with unemployment as the only problem; for persons with other problems besides unemployment, they have positive effects both during the programme and after, i.e., recipients leave welfare and start to work
Bolvig et al. (2003)	Active Social Policy (ASP)	1997 to 1999	Duration of welfare spells and employment spells	Duration model; longitudinal register-based data, Aarhus	Other ASP (including job search assistance) has detrimental effects on the exit rate from welfare spells
Netherlands					
Van den Berg et al. (2002)	Netherlands welfare system; sanctions (= temporary benefit reductions) imposed on welfare recipients not complying with job search requirements	January 1994 to October 1996	Transition from welfare to work	Basic job search model; randomization in the sanction assignment in a duration model framework; administrative data of welfare recipients in Rotterdam	The imposition of sanctions substantially increases the transition rate from welfare to work. The transition rate is about twice as large after a sanction as before. Closer monitoring and counselling by the welfare agency may also have a positive effect on the job search behaviour of welfare recipients
Germany					
Jerger et al. (2001)	Intensive counselling by the Mannheim Agency for placement of welfare recipients	July 1998 to June 2000	Transition from welfare to work	Matching; administrative data	Intensive counselling increases the transition rate from welfare to work by about 15 percentage points (from 2.2% to 17.6%)

<sup>a</sup> Single programme evaluations.

<sup>b</sup> Synthesis of evaluations of 20 mandatory welfare reform programmes. No reference is made to the individual evaluations.

<sup>c</sup> Job search first (JSF): Atlanta JSF, Grand Rapids JSF, Los Angeles Jobs First Gain, Riverside JSF, and SWIM; mixed employment focus: Portland, Project Independence, and Riverside Gain. Bloom and Michalopoulos included in their comparative analysis 12 programmes with an education focus.

Source: Compilation by the author.

*Sanctions and monitoring*

According to van den Berg et al. (2002), sanctions imposed on welfare recipients not complying with job search requirements and close monitoring and counselling by welfare agencies have a positive effect on participation in job search programmes and on job search behaviour. They increase the transition rate from welfare to work. Van den Berg et al., who studied the behaviour of welfare recipients in the city of Rotterdam, found that the transition rate from welfare to work was about twice as large after sanctions were introduced as before. Although most benefit sanctions were only applied for one or two months and the maximum reduction was 20 per cent of welfare benefits, the effect on search behaviour was relatively large. Apparently, marginal utility levels of welfare recipients are high, and/or consumption smoothing is so difficult that welfare recipients wanted to earn money.

The US welfare reform programmes launched prior to the passage of the Federal welfare reform Law of 1996 also had positive impacts. Bloom and Michalopoulos (2001) synthesized the results from randomized evaluations of 20 mandatory welfare reform programmes in specific states. Five of them were job-search-first programmes, and three were mixed programmes (including training) with an employment focus (Table 1). In the five job-search-first programmes, virtually all recipients were required to begin by looking for work for several weeks on their own or through group activities (such as job clubs) that taught jobseeking skills and then helped participants search for jobs. The synthesis report shows that employment in the programme group was more than 10 percentage points higher than in the corresponding control group. Each of the job-search-first programmes increased earnings by at least US\$ 400 a year (see Table 1) (US\$ 1 = €0.80 approx.).

The favourable effects of mandatory job search activities and sanctions on earnings were also demonstrated by the meta-evaluation of Ashworth et al. (2004). They apply meta-analysis techniques to a specially constructed database which comprises random assignment evaluations of 24 US mandatory welfare-to-work programmes (with 64 experiments at over 50 sites) implemented between 1982 and 1996. Programme activities include job search, sanctions, unpaid and paid work experience, vocational training and basic education. Their evaluation tends to confirm the superiority of participation in job search and of sanctioning. They report that for each percentage point increase in (net) programme sanctioning, the quarterly earnings impact increases by US\$ 4.01. Similarly, a percentage point increase in net participation in job search activities raises earnings impact by US\$ 2.66.

Participation in the other activities had much smaller or reverse impacts. Interestingly, the meta-evaluation also indicates that participants' characteristics and site environmental conditions were often as important as or even more important than programme characteristics in determining the success of the programmes (Table 2).

Evidence of the impact that monitoring job search requirements has had is also provided by the evaluation of the Maryland Unemployment Insurance Work Search Demonstration (not welfare-related), which started in 1993. The normal work search requirement in the state of Maryland at the time was to report two contacts with specific different employers each week. Informing claimants that reported contacts would be verified with the employer reduced the average duration of unemployment payments by 0.9 weeks (7.5 per cent). Dropping the requirement for reporting contacts increased the duration, relative to a control group, by 0.4 weeks (3.3 per cent). At the same time, the relaxed treatment increased total annual earnings by about 4 per cent. Possible explanations are that jobseekers, when freed from job search monitoring, wait longer for a better-paid job, search more efficiently and/or have a stronger bargaining position with potential employers (Benus et al., 1997; OECD, 2001, pp. 203 and 229).

The quality of the jobs found by welfare recipients is, however, not just a function of the strictness of job search requirements but is also determined by job search assistance being offered or not. According to the OECD (2003, p. 213), imposing job search requirements without at the same time offering job search assistance can result in entry into low-paid jobs, but job search requirements with intensive employment counselling and additional assistance can improve employment earnings.

### *Timing and intensity of interventions*

Programme designers must also find the optimum *timing* for imposing job search requirements. On the one hand, welfare recipients should be given some time to search for a job on their own. On the other hand, longer periods on welfare are associated with reduced chances of entering the labour market and with welfare payments. It is difficult to establish a general rule for the optimum timing, which seems to vary from individual to individual. It makes sense to leave the timing of interventions to the social worker. Through the provision of intensive case management support, the starting point of the compulsory programme can most probably be determined in the best way. This method has been most strongly adopted in the United States, the UK New Deal Programme and the "rights and responsibility" clauses in the Danish activation programme (Trickey, 2000, pp. 261-263).

**Table 2.** *Meta-evaluations of mandatory welfare-to-work programmes in the United States*

Study	Programmes	Period	Dependent variable	Method; data	Results
Ashworth et al. (2004); Greenberg, Ashworth, Cebulla and Walker (2004); Walker et al. (2003)	64 mandatory welfare-to-work programmes at over 50 sites; activities: job search, work experience, sanctions, vocational training, basic education	1982 to 1996	Earnings; welfare receipt	Synthesizing research findings from 24 random assignment evaluations; the database contains information about programme impacts, service provided by the evaluated programmes, participants' characteristics and environmental conditions.  Weighted least-squares regression approach; the weighting adjusts the impact measure for the sampling variance of each study	Welfare-to-work programmes work best when they employ work-first approaches that focus on job search activities, and resort to sanctioning and impose time limits (superiority over human capital investment).  Participants' characteristics and site environmental conditions (unemployment rates) can be as important as or even more important than programme design.  Programmes have a positive effect for five to six years; after 2.75 years the impact of most programmes declines
Bloom et al. (2003) <sup>a</sup>	59 local mandatory welfare-to-work programmes (GAIN, PI, NEWWS) conducted by MDRC; activities: job search, basic education, vocational training	1980s and 1990s	Employment; earnings; welfare receipt	Pooling of individual-level data for 69,399 sample members and group-level implementation data from the 3 large random assignment experiments. Multilevel statistical modelling to examine the relationship between implementation and effects of the programmes	Earnings effects are increased by an emphasis on quick client employment, on personalized client attention and on smaller caseloads.  Increasing basic education reduces short-run effects.  Programmes are much less effective when jobs are scarce.  Job readiness of clients does not influence programme effectiveness.  Differences in programme implementation can produce important differences in programme effectiveness

<sup>a</sup> This study used hierarchical analysis, rather than meta-analysis. The approaches of Bloom et al. and Ashworth et al. are, however, closely related.

Source: Compilation by the author.

The success of job search assistance is also influenced by the *intensity* with which the support is granted. This is shown by a microeconomic evaluation of the Mannheim job placement agency (Mannheimer Arbeitsvermittlungsgesellschaft: MAVA). In the MAVA, the staffs of the welfare office and the employment office work together closely in the job placement of welfare recipients who are able to work. The main feature is a higher ratio of personal advisers to recipients than in normal welfare and employment offices. A comparison of the MAVA group with a subsequently formed control group (matching), which had a lower adviser-recipient ratio in the same labour market, showed a drastic improvement in the placement of able-bodied welfare recipients participating in MAVA. The transition rate from welfare to work increased by about 15 percentage points (up from 2.2 to 17.6 per cent: Jerger et al., 2001; Pohnke, 2001). A study by van den Berg and van der Klaauw (2003) on counselling and monitoring of unemployed workers (not welfare recipients!) with relatively good labour market prospects came to similar conclusions.<sup>6</sup> The authors show that low-intensity job search assistance has no effect whereas high-intensity job search assistance has a positive effect on the exit rate to work.<sup>7</sup>

### *Type of means and targeting*

Another decisive factor for the transition from welfare to work is the *nature* of the job search assistance programme. Job search activities can stress obtaining employment rapidly rather than holding out for a better job. Assistance in job search can follow a personalized approach or handle clients in a narrowly prescribed way. The size of staff caseloads can be large or small. Bloom et al. (2003), in their research synthesis, study pool data from three US large-scale, multisite random assignment experiments of mandatory welfare-to-work programmes (GAIN, Project Independence and NEWWS). They construct quantitative measures of programme implementation. Their analysis of individual-level data for 63,399 sample members and of group-level implementation data for 59 local programmes leads them to the following findings: an emphasis on quick client employment and on personalized client attention together with small staff caseloads exercises considerable influence on the success of these programmes (Table 2).

6. The authors used administrative information on 394 individuals and survey data concerning a social experiment with full randomization and compliance. Participants in this experiment started to collect unemployment benefits in the second half of 1998 in two cities in the Netherlands.

7. This finding is in line with the results of Bloom et al. (2003) which we discuss in the next section.

The analysis of Bolvig et al. (2001, p. 85 and tables 5.2.3 to 5.2.5), which is based on a longitudinal register-based data set covering Aarhus, the second largest municipality in Denmark, leads to similar results. If welfare recipients are obliged to take part in time-consuming collective information and counselling sessions, locking-in effects may prevent them from looking for a job. If, however, job search assistance consists of short interviews and individual counselling, then locking-in effects do not occur. Interestingly, this occurs only with persons who have no negative characteristics apart from being unemployed. For those with other problems besides unemployment, job search assistance has positive effects during the programme phase. The emergence of locking-in effects only in connection with people having relatively good chances on the labour market is probably due to the job search assistance having in fact hindered them in realizing their market opportunities.

The Danish evaluation shows that the success of job search assistance also depends on the programme's *target group*. For persons with labour market disadvantages, counselling had positive effects during the programme and also thereafter. The positive effects of the counselling programmes might be due to the fact that they contain job search, training and guidance, and this is apparently more effective for the most "difficult" group of welfare recipients. For persons whose only problem is unemployment, counselling and labour market introductions were not successful, with the exception of a positive postprogramme effect for those above age 30 (Bolvig et al., 2001, p. 85). Van den Berg and van der Klaauw (2003), too, conclude that monitoring the job search of relatively well qualified individuals is ineffective and merely leads to a shift from informal to formal job search. On the other hand, monitoring the job search activities of low-qualified persons increases their exit rate to work.

## Workfare

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The aim of workfare is to increase the employment of welfare recipients in the regular labour market. Workfare can be defined as "programmes or schemes that require people to work in return for social assistance benefits" (Lodemel and Trickey, 2000). The definition has three elements. First, workfare is compulsory: non-compliance with work requirements carries the risk of a loss of or reduction in benefits. Second, workfare is primarily about work and not training or other forms of activation. Finally, workfare is essentially about policies tied to the lowest tier of public income support.

There are four main types of activities into which workfare participants are channelled:

- subsidized work in the private economy;
  - work in the public sector for a wage income;
  - work in the public sector for benefit-level pay;
  - social activation seeking to overcome severe barriers to employment.
- These are not strict alternatives, and they are often combined.<sup>8</sup>

### *Programmes and their evaluation in different countries*

Workfare programmes have been implemented in the United States since the early 1980s (Friedlander and Burtless, 1995; Peck, 2001). There exist random assignment studies and meta-evaluations that have examined these relatively small-scale workfare programmes. Subsequently, workfare programmes were made a component of the 1996 welfare reform. They were, however, not implemented all over the country (Smith Nightingale, 2001, as well as many other studies of the Urban Institute). The main workfare programmes were those of the Human Resource Administration of New York City, Wisconsin Works and the programmes in California (Wiseman, 2000). These workfare programmes have been evaluated by means of leavers' studies, which again tell us very little about the effects.<sup>9</sup> On the other hand, since the Federal mandate for experimental evaluations ended with the 1996 reform, and few experimental evaluations of broad workfare programmes after 1996 exist,<sup>10</sup> we do not have solid information on how these workfare programmes functioned in the United States (Blank, 2002, pp. 1122-24).

The 1980s workfare programmes in the United States consisted of experiments in open-ended work experience, such as the West Virginia Community Work Experience. A number of other programmes used unpaid work experience of three months after job search for people who could not find jobs. These included the Arkansas Work Program, the Cook County WIN Demonstration, the Virginia Employment Services Program, and the San Diego Experimental Work Experience Program. Participation in these programmes was required of all eligible Aid to Families with Dependent Children (AFDC) applicants and recipients with school-age children. The impact on employment and earnings was favourable. Increases in average annual earnings ranged between 1 and 33 per cent more than the annual

8. Apart from the activities offered, workfare programmes deal differently with the obligatory nature of participation and with sanctions. There is usually a large degree of discretion involved in delivering the programmes.

9. An exception is Cancian et al. (2003), who compare prereform leavers with postreform leavers in the state of Wisconsin.

10. There tend to be some small evaluations, run at a few specific sites on specific programmes.

earnings of people in the control group. The impacts on earning were sustained for at least three years after programme enrolment. With the exception of the West Virginia Program, workfare was accompanied by welfare savings (Gueron and Pauly, 1991, ch. 1 and Table 2). The above findings are in line with the results of the meta-evaluation of Ashworth et al. (2004). Participation in work experience was associated with an increase in earnings which was, however, much lower than the earnings impact of sanctioning and participation in job search activities. The earnings impact lasted for 5.5 years (Table 2).

In the United Kingdom, the New Deal for Young People (NDYP) is a programme with workfare elements. The target group is made up of all 18-to-24-year-olds who have claimed unemployment benefits (Jobseeker's Allowance: JSA) for a period of six months or more. The design of the programme is as follows. Participants enter a period of intensive job search known as "the Gateway". The Gateway is intended to have a maximum duration of four months. Participants then are assigned to one of four options: subsidized employment, full-time education and training, the Environmental Task Force or voluntary service. The workfare options last up to six months. They include one day of training every week. Participants have the choice between the options, although participation in NDYP is compulsory. After the second phase, individuals enter a period known as "follow-through" which is essentially the same as the Gateway. The NDYP has been evaluated by Dorsett (2001) using a non-parametric matching approach. The analysis is based on administrative data for all males entering NDYP between September and November 1998, a total of 33,672 individuals. The analysis comes to the conclusion that regular employment is promoted through workfare and especially through subsidized employment (for a comparison with the other NDYP options see the presentation of further results below) (Table 3).<sup>11</sup> Dorsett's results have been confirmed by a survey of employers that received a subsidy for six months for employing participants in the NDYP: 51 per cent of the recruits were still employed after nine months; 26 per cent of the recruitment was fully additional and 5 per cent was partly additional (Hales et al., 2000).

Workfare elements also play a role within the New Deal for People Aged 25 and Over ("ND25 plus"). The original programme (June 1998 to April 2000) was enhanced in April 2000. In pilot areas, entry to the programme occurred after 12 to 18 months of continuous JSA receipt. After a Gateway of

11. The outcome of NDYP is measured by the number of participants not receiving Jobseeker's Allowance any longer. This is, however, not coterminous with being employed. It can also indicate economic inactivity.

typically 13 weeks, a mandatory referral to an Intensive Activity Period (IAP) followed, which consisted of 13 weeks' activity. IAP included subsidized employment, Education and Training Opportunities (ETO) and Work-Based Learning for Adults (WBLA) (Wilkinson, 2003, ch. 3). Evaluation evidence is available for pilot provisions. Lissenburgh (2001) based his evaluation on a matching methodology. He found that IAP entrants had a 6.6 percentage point advantage over their comparators with regard to unsubsidized employment exits. He concluded that subsidized employment had a positive impact, whereas ETO and WBLA had a negative or no impact. In the last two cases, locking-in effects may have played a role. These results have been confirmed by the survey of Hales et al. (2000): 60 per cent of long-term unemployed people who had taken over a subsidized job were still employed at the end of nine months (Table 3).

Positive employment effects have also been established for the workfare programme of the Danish Active Social Policy. Danish municipal authorities use different forms of workfare measures: private sector employment programmes (including ordinary or individual job training), public sector employment programmes (including ordinary and individual job training and municipal employment projects) and "other programmes" (including two types of rehabilitation programmes). The analysis of Bolvig et al. (2003) shows that workfare measures improve the chance of overcoming welfare dependence. The transition rate from welfare to employment is more than three times as high after workfare measures have been realized as it is where there are no workfare measures. These favourable results are due to positive postprogramme effects (see reference to Bolvig et al. under "Timing" below). The increased transition rate from welfare to employment may be due to several factors. Workfare measures may increase the search intensity, for instance owing to higher self-confidence of the jobseeker, improved work habits, or closer contact with the labour market. Or they may — according to search theory — increase the job offer arrival rate because the qualifications of the jobseeker have improved.

### *Timing*

Programme designers must find the optimal timing for starting workfare measures. Bolvig et al. (2003) investigated timing for workfare measures in Aarhus, Denmark. They found evidence that assigning men to very early participation in workfare programmes helps to achieve the maximum net effect; that is to say, the highest exit rate from the welfare rolls. The reason is that the positive postprogramme effect can be enjoyed for a longer period the earlier the person begins, while the locking-in effect is quite small for

**Table 3.** *The effects of employment programmes*

Study	Programme	Period	Dependent variable	Method; data	Results		
<b>United States</b>							
					Annual impacts for all years of follow-up		
					Outcome	Percentage change over control group level	
Gueron and Pauly (1991), Table 1.1; based on various evaluation studies	West Virginia Community Work Experience Program (open-ended unpaid work)	Evaluation began in 1983	Earnings AFDC payments	Random assignment	Earnings	Year 1	4
					AFDC payments	Year 1	0
	Arkansas WORK Program (sequence of group job search and unpaid work)	Evaluation began in 1983	Earnings AFDC payments	Random assignment	Earnings	Year 1	33
						Year 2	23
						Year 3	31
					AFDC payments	Year 1	-13
						Year 2	-19
		Year 3	-18				
	Cook County WIN Demonstration (sequence of individual job search and unpaid work)	Evaluation began in 1985	Earnings AFDC payments	Random assignment	Earnings	Year 1	1
					AFDC payments	Year 1	-1
Virginia Employment Services Program (sequence of job search and unpaid work)	Evaluation began in 1983	Earnings AFDC payments	Random assignment	Earnings	Year 1	5	
					Year 2	14	
					Year 3	11	
				AFDC payments	Year 1	-3	
					Year 2	-2	
	Year 3	-9					
San Diego Experimental Work Experience Program (sequence of group job search and unpaid work)	Evaluation began in 1982	Earnings AFDC payments	Random assignment	Earnings	Year 1	23	
				AFDC payments	Year 1	-8	

United Kingdom					
Dorsett (2001)	New Deal for Young People (NDYP)	September to November 1998	Not receiving Jobseeker's Allowance (JSA) (as an indicator for employment)	Non-parametric matching; administrative data for all males entering NDYP between September and November 1998	Subsidized employment is the most effective means of securing unsubsidized employment; it is much more effective than the other options: full-time education and training, voluntary service and environmental work. Gateway is less effective than subsidized employment but more effective than the three other options
Lissenburgh (2001); Wilkinson (2003)	New Deal for the Long-Term Unemployed (ND25 plus)	1999 and 2000	Employment entry; unemployment exit; employability	Matching; administrative and survey data for pilot participants	Intensive Activity Period (IAP) entrants have a 6.6 percentage point advantage over their comparators with regard to unsubsidized employment exits. Employment Subsidy entrants reduced their time on JSA by 16 percentage points whereas those on Education and Training Opportunities and on Work-Based Learning for Adults increased it by 16 and 6 percentage points respectively
Hales et al. (2000)	NDYP ND25 plus	September 1999 to January 2000	Employment record	Survey of employers who receive a subsidy for recruiting ND participants; 3,208 establishments	Subsidized employment was an effective means of securing sustainable employment: 51% of NDYP recruits and 60% of ND25 plus recruits were employed at the end of nine months. 26% of recruitment was fully and 5% partly additional

*End of Table on next page.*

**Table 3** (continued)

Study	Programme	Period	Dependent variable	Method; data	Results
<b>Denmark</b>					
Bolvig et al. (2003)	Active Social Policy (ASP)	1997 to 1999	Duration of welfare spells and employment spells	Duration model; longitudinal register-based data, Aarhus	Employment measures: weak locking-in effects, positive postprogramme effects. There is evidence for assigning men to very early participation in employment programmes and women to participation after six months of welfare duration to achieve the maximum net effect (costs of ASP have not been accounted for). Considerable short-time recidivism of welfare dependence
Bolvig et al. (2001)	Active Social Policy (ASP)	1997 to 1999	Duration of welfare spells and employment spells	Duration model; longitudinal register-based data, Aarhus	Locking-in effects: strong for community jobs, job preparation, public training on the job and employment project; weak for private training on the job and work test. Postprogramme effects positive for all workfare categories (not for persons 30 years and older for some categories)

men. The studies indicate that women should start workfare programmes after being on welfare for six months. As with men, through earlier participation, the positive postprogramme effect can be enjoyed for a longer period. On the other hand, early participation implies that the locking-in effect, which is significantly negative for women, will have greater weight. It should be mentioned that the analysis did not account for the cost of workfare programmes. Instant participation may result in higher costs of administration etc., thereby becoming an undesirable policy (Table 3).

The question of the timing of workfare measures is also addressed by Graversen (2003). He tries to find out if an early use of workfare measures aimed at welfare benefit recipients in Denmark is successful in reducing the length of welfare spells. In addition to the locking-in effects and postprogramme (treatment) effects, he estimates the significance of the preprogramme incentive effects. They measure the potential increase in the exit rate from welfare to work when welfare benefit recipients are facing the risk of being selected to participate in a workfare programme. The effect is identified by the fact that the intended timing of the programmes differs among municipalities. Some municipalities make workfare offers just a few days after an individual becomes eligible for welfare; others wait almost a year. Private and public sector employment constitutes the principal workfare offers. Graversen uses event histories of 7,602 men above 25 years who entered welfare during the period from 1994 to mid-1998.<sup>12</sup> He uses a duration model framework for his estimates. Although preprogramme incentive effects exist, his estimates of the different programme effects suggest that early assignment to a public sector employment programme prolongs the period spent on welfare because of the large locking-in effect. Early assignment to a private employment programme, however, shortens the period spent on welfare because of the modest locking-in effect and the large treatment effect.<sup>13</sup>

### *Type of activities and targeting*

The *nature* of the workfare programme is another important factor in the transition from welfare to work. It has already been mentioned that workfare takes place by different means. Subsidized employment in the private sector is offered to the most employable welfare recipients; social

12. Later the age limit for an ASP offer to welfare recipients within a year changed from 25 to 30 years.

13. Rosholm and Svarer (2004) estimate the threat effect of active labour market programmes in Denmark. They find a strong and significantly positive threat effect. The threat effect is shown to reduce average unemployment for a duration of approximately three weeks.

activation, on the other hand, seeks to overcome severe barriers to employment. Subsidized employment as part of the NDYP was much more effective than participating in the Environmental Task Force and voluntary service. The rate of unemployment among those in subsidized employment is reported to have been 20 percentage points lower than in the two other options. (This result may, however, be due to selectivity effects.) (Dorsett, 2001, Table 5.5.) The same is true for the ND25 plus. Employment subsidy entrants reduced their time on JSA by 16 percentage points whereas those on work-based learning for adults increased it by 6 percentage points (Lissenburgh, 2001, p. xxxii). Locking-in effects were effective. Differences in the locking-in effects were also found for Active Social Policy in Denmark. The effects were strong for community jobs, job preparation, public training on the job and employment projects; they were weak for private training on the job and work test (Bolvig et al., 2001, Table 3). The results of Bolvig et al. are confirmed by Graversen (2003). His study shows that locking-in effects are large for public sector employment programmes and not significant for private sector workfare programmes. The success of subsidized employment in the private sector is due to various factors: participants are the most employable, they work in close contact with employers, they can demonstrate their ability in the regular labour market and locking-in effects play a minor role.

The Danish evaluation also shows that the success of workfare programmes depends on the *target group* to which the programme is directed. For persons with labour market disadvantages, workfare has more positive effects than for persons with unemployment as the only problem. Apparently, the more “difficult” group of welfare recipients needs activation more than the other recipients. Workfare is more effective for young unemployed people below 25 than for those above 30. And, finally, the evaluation indicates that the employment measures are more successful with respect to male than to female participants. This is due to the high locking-in effects for women compared with the quite small locking-in effects for men. It seems that women engaged in workfare and having to care for children do not find the time to search for a regular job (Bolvig et al., 2003, p. 17).

### *Workfare versus job search assistance*

Workfare measures have an overall positive impact on the transition from welfare to regular work. But are they more successful than job search assistance? Dorsett (2001) compared the effects of workfare and the extension of the job search period (extended Gateway) for NDYP participants. The message that emerges from his analysis is that a period of subsidized employ-

ment is a more effective means of securing unsubsidized employment than remaining on the Gateway. On the other hand, an extension of job search is more effective than voluntary service or environmental work in the public sector. There are a number of possible reasons for the relative effectiveness of the extended Gateway. Participation in voluntary service and environmental work may reduce job search for the duration of the option. At the same time, individuals that remain for an extended period on the Gateway still participate in supervised job search, and this may have positive employment effects. The meta-evaluation of Ashworth et al. (2004) comes to the conclusion that work-first approaches that focus on job search activities are more successful than those resorting to workfare.

### **Effectiveness of work-first programmes vis-à-vis other measures**

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#### *Training and education*

There are debates on the issue of the services that should be provided to people moving from welfare to work in order to give them optimal support. Are job search or workfare programmes better suited than, for example, programmes that focus on human capital development and provide more training and educational opportunities to recipients?<sup>14</sup> Making side-by-side evaluations of job search programmes and education and training programmes in Atlanta (Georgia), Grand Rapids (Michigan) and Riverside County (California), Hamilton et al. (2001) as well as Bloom and Michalopoulos (2001) have concluded in their synthesis that counselling increased employment and earnings more than education and training programmes. The meta-evaluations of Ashworth et al. (2004, pp. 205-207) and Bloom et al. (2003, p. 567) confirm the superiority of work-first programmes over human capital investment.<sup>15</sup> Interestingly, the best results occurred in programmes with mixed activities, such as the Portland JOBS programme. Job-ready participants were required to look for work. Participants with lower levels of education were initially assigned to basic education and training.

There was, however, a strong emphasis on employment. Education and training activities were brief, and staff strongly emphasized the importance

14. We include in our comparison only studies presented in Tables 1 to 3.

15. These evaluations had three-year or six-year follow-up surveys. Where welfare-to-work participants (and their control groups) are followed up for nine years, those who received more education or training do as well as or better than those who were put into work-first programmes (Blank, 2002, p. 1147; Hotz et al., 2000).

of finding jobs. Although the aim was to promote a rapid return to employment, members were encouraged to keep searching until they found a “good” job. The Portland programme showed earnings increases of \$1,200 a year, whereas earnings in the job search programmes increased by only \$400 to \$800 a year.<sup>16</sup> Blank’s conclusion is that combining job search assistance with training provisions seems to be one of the keys to success (Blank, 2003, pp. 62-63).

Comparing workfare programmes with training and education, Dorsett (2001) has obtained results that support the conclusion that subsidized employment is much more effective than full-time education and training, whereas the voluntary service and environmental work of the NDYP are roughly as effective as educational measures. Analysing the ND25 plus, Lissenburgh (2001) concludes that subsidized employment reduced the time on JSA by 16 percentage points whereas Education and Training Opportunities and Work-Based Learning for Adults increased it by 16 and 6 percentage points respectively. Bolvig et al. (2003) show that training measures which were organized in the form of courses and classes had negative effects on the transition from welfare to employment in Aarhus, whereas workfare had positive effects. Having attended training measures lowers the transition rate from welfare to employment to half of the transition rate for non-participants, while participation in workfare raises it substantially. The negative effect of training measures on the exit rate from welfare spells is primarily due to the strong locking-in effect. The results presented here include only short-term effects. In the longer term, payback for the education option may be observed.

### *Financial incentives*

Apart from training, work-first programmes can be compared with financial incentives. An interesting experiment is the Minnesota Family Investment Program (MFIP), offering job search assistance and an income supplement. The MFIP was implemented in 1994 and provided a strong earnings disregard that allowed women to receive some cash assistance until their earnings were about 40 per cent above the poverty line (Miller et al., 2000). Participants were also required to participate in mandatory job search programmes. A subset of the treatment group was provided with financial incentives arising from earnings disregards but was not subject to manda-

16. According to Walker et al. (2003), the large earning gains produced in Portland are in part attributable to especially favourable contextual factors, the somewhat older and mostly white caseloads and the economic situation at the site.

tory job search requirements. Through randomizing participants into both treatment groups and the control group, the separate effects of mandatory job search (on top of financial incentives) and earnings disregards could be explored. Bloom and Michalopoulos (2001, p. 65) and Miller et al. (2000, p. 98) show the separate impact of mandatory employment services (on top of earnings disregards) and financial incentives. The employment-related services were primarily responsible for increasing employment and earnings but did not increase income substantially. The high earnings disregards had little effect on labour supply and employment but were mainly responsible for the increase in income and the anti-poverty effects (Blank, 2002, pp. 1148-49).

### Conclusion

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Around the world, welfare-to-work policies are on the political agenda. Job search assistance and workfare are important elements of this new policy approach. In spite of the spread of these policies, there is little knowledge of the effects of the two elements. The few experimental or econometric evaluations that focus on specific measures provide some quantitative findings. Comparisons of these findings are, however, difficult to make. Summarizing the results across countries, studies and types of programmes could easily lead to overly broad and possibly misleading statements. Meta-evaluations, however, provide a more valid way for making such comparisons. With these reservations in mind, we shall nevertheless attempt to draw some conclusions.

Non-compulsory job search assistance has its limits because of the low take-up rates, although participants are successful in finding work. Sanctions imposed on welfare recipients not complying with job search requirements and close monitoring and counselling by welfare agencies have a positive effect on participation in job search programmes and on job search behaviour. They increase the transition rate from welfare to work. (A high level of strictness with respect to job search requirements may, however, reduce earnings obtained in the new jobs.) The number and qualifications of personal advisers are important factors of performance. The same is true with respect to the emphasis placed on quick client employment and personalized client attention. Welfare recipients with stronger labour market disadvantages need job search assistance more than other persons. Individual counselling is more effective than collective provision of information and counselling, which may prevent participants from looking for a job.

Workfare promotes the transition from welfare to work. This is especially true for subsidized private sector employment. The success of this workfare

category is due to the high employability of participants, the close contact with employers and the minor role of locking-in effects. In contrast, public sector employment is not very effective. Locking-in effects are high, especially for women. Early assignment to public programmes prolongs the duration of welfare. Persons with labour market disadvantages need activation more than other welfare recipients.

Job search assistance with monitoring and sanctions is superior to public sector employment, with its high locking-in effects. It is, however, not superior to subsidized private sector employment.

The effectiveness of work-first programmes vis-à-vis other welfare-to-work measures is evident. Job search programmes seem to be more successful than training programmes and education. The same is true for workfare programmes, at least in the short run. "Mixed" programmes that assign some participants to work-first and other participants to training seem, however, to be superior. A combination of mandatory job search assistance with in-work benefits can be useful as well.

Experimental and econometric evaluations allow for both a measurement of the direct effects of specific welfare-to-work measures and comparisons between individual instruments. On the other hand, these evaluations are not suited to measuring indirect effects and thus the total impact of welfare-to-work policies. Furthermore, in most cases, they do not analyse long-term effects or include a comprehensive cost benefit analysis. In addition, these evaluations do not tell us why certain measures have been effective. Often they do not analyse how the impact of a specific measure changes when its design and implementation are altered. They do not determine, either, how differences in participants' characteristics and the socioeconomic conditions at the programme sites affect the impact of programmes. In spite of these shortcomings, single programme evaluation results provide useful information for the design of welfare-to-work policies. Quite recently meta-evaluations have been presented which overcome some of these shortcomings. Up to now, they have only been prepared for the United States. In future, formal cross-national meta-evaluations on welfare-to-work programmes may become available and provide more powerful insights than those presented in this article.

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