Can Active Labor Market Policies Combat Youth Unemployment in Denmark?

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Sector(s): Labor Markets, Social Protection

Location: Denmark

Sample: 3380 job seekers in 14 job centers

Target group: Job seekers Youth

Outcome of interest: Earnings and income Employment Enrollment and attendance Take-up of program/social service/healthy behavior

Intervention type: Apprenticeships and on-the-job training Job counseling Training Subsidies Employment

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Partner organization(s): Denmark, Ministry of Employment

Following the 2007 financial crisis and the subsequent increase in youth unemployment, the Danish government intensified programs aimed at helping young job seekers find work. These programs, also known as active labor market programs (ALMPs), typically include job search counseling, training schemes, and employment subsidies. Researchers conducted a randomized evaluation to test the impact of intensified ALMPs on youth employment and educational attainment. Increasing the frequency of meetings with caseworkers reduced employment for uneducated youth and had no impact for educated youth.

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Several European countries have introduced active labor market programs (ALMPs) to combat youth unemployment. These programs aim to help job seekers find work by providing job-search counseling, subsidized employment, training, work practice, or further education.

The evidence regarding the effectiveness of ALMPs for youth is mixed. On the one hand, job seekers may be unwilling to participate in ALMPs because they find them stigmatizing and time-consuming. As a result, they may intensify their job-search activity in order to avoid being referred to the program. If they do participate in the program, they may gain relevant job-search skills and be matched with vacant jobs. On the other hand, if these programs do not effectively match job seekers with vacant jobs or provide them with relevant skills, then they might displace time spent looking for employment and prolong unemployment spells. Can intensifying existing programs and creating a stronger focus on education for uneducated youth improve their employment outcomes and education attainment?

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The Government of Denmark requires unemployed youth to participate in active labor market programs. The programs consist of frequent meetings with caseworkers, training, work practice, employment with wage subsidies, and job-search counseling.

Following the 2007 financial crisis and the subsequent increase in youth unemployment, the Danish government decided to further intensify these programs to help youth who had completed high school or vocational education find employment and to encourage less educated youth to enroll in professional education.



A woman works at her laptop.

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Researchers conducted a randomized evaluation to test the impact of intensified ALMPs on youth employment and educational attainment. The 32-week program targeted job seekers under 30 who became or were already unemployed in the period from November 2009 to February 2010.

Out of the 3,380 participants, researchers randomly assigned 1,683 job seekers to the treatment group and 1,697 to the comparison group. The exact services offered to participants in the treatment group depended on caseworker assessments of whether job seekers had enough education to qualify for jobs or needed further education:

- *Less educated job seekers in treatment group*: Job seekers attended in-person or phone meetings with a caseworker on a weekly basis for the duration of the program. During these meetings, the caseworker provided counseling on job search. If needed, job seekers were encouraged to participate in preparatory adult education. Then they either started work practice, entered employment with wages subsidized by the government, or enrolled in further counseling and training. Job centers assigned a mentor to each job seeker, who was meant to encourage him and help him improve his job search.

- *Educated job seekers in treatment group:* Job seekers met with a caseworker every two weeks for 14 weeks. Then they enrolled into a work practice or employment with government-subsidized wages until the end of the program.

Job seekers in the comparison group received the standard services provided by job centers, which included the same programs as the treatment group, except for mentor guidance. Services had a shorter duration (between 10 and 15 weeks) and job seekers met with caseworkers less frequently (every three months).

Researchers used administrative data to follow participants for almost three years.

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The intensified program reduced employment for uneducated youth and had no impact for educated youth. In addition, job seekers in the treatment group spent more time receiving sickness benefits.

Compliance with program design: The program was not implemented as designed, and in practice, the only difference between the treatment and the comparison group was that job seekers in the treatment group met with a caseworker more frequently. Participation in work practice, employment with government-subsidized wages, counseling and training was similar for both groups, and mentors were not consistently assigned to job seekers in the treatment group. This means that the evaluation measured the marginal effects of increasing the frequency of meetings with caseworkers.

Impact on employment: Increasing the frequency of meetings with caseworkers had a negative impact on employment for uneducated youth. After 150 weeks (almost three years), uneducated job seekers in the treatment group had spent approximately three fewer weeks in employment. These results suggest that there was a “lock-in” effect for uneducated youth, meaning that time spent in the program displaced time spent on job search or work.
The program had no effect on employment for educated job seekers.

Impact on education: The program did not significantly affect the amount of time both educated and uneducated job seekers spent in professional or vocational education programs.

Researchers suggest that the program had little effect because the only difference between the treatment and the comparison group was the frequency of meetings. In addition, participants had been unemployed for a long period of time, which has been shown to reduce the effectiveness of meetings with caseworkers, and the evaluation was conducted at a time of rising unemployment and limited job creation.

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