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10. External factors

International comparisons of public policies are often questioned for the comparability of programs which take place in totally different contexts. What is meant with context encompasses many aspects of the policy-chain, such as differences in the level of resources invested in the programs, differences in program design, and differences in the legal parameters within which programs take place. Differences in input and processes have already been taken into account in this benchmark, and will be used to explain differences in the performance of programs taking place in different countries. External factors to the policy chain thus remain to be discussed in this chapter. These external factors are in fact the first thing that comes to mind when thinking about international differences in the context of social programs.

Chapter 4 explained how the number of indicators for external factors can easily become large as one attempt to inventories all aspects of the environment in which a program take place. However, this list of possible indicators needs to be brought down to those indicators for which data will be most likely available, and from which an important explanatory power can be expected. This will make the benchmarking of external factors manageable within the constraint of time and resources in which all benchmarks take place. For this international benchmark of work-based employment programs, three main indicators where selected: the economic context in terms of strength of the economy and the labour market, the juridical context in terms of employment conditions and protection for new entrants in the labour market, and the political context, in terms ideological background of those implementing the programs in each country.

It was also explained in chapter 4 that a ranking of those indicators with respect to the likely links between this indicator and the results of the program will not be given. Instead, the real values will be given in the tables, and these will be used in chapter 11 to analyse the links between these values and the rest of the benchmarks.

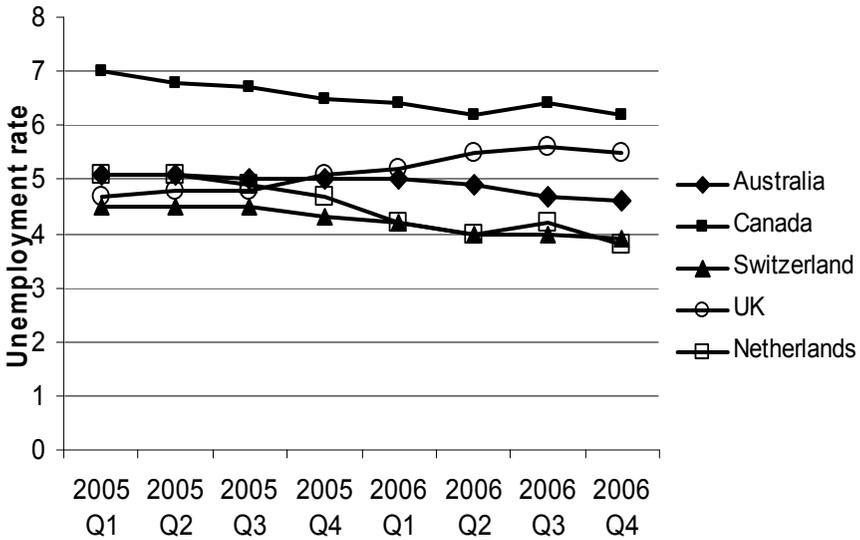
10.1. Economic context

As shown earlier, the performance of the programs showed important variations, and the hypothesis could be that external factors could explain these partially, especially factors such as the strength of the economy. Data from the OECD (2008, Economic Outlook database 83) shows that GDP growth, on average in 2005 and 2006 was actually the highest in

Switzerland, Canada and Australia (2.8%, 2.95% and 2.75% respectively, against 2.25% for the Netherlands and 2.3% for the UK).

Nonetheless, the correlation between GDP growth and the strength of the labour market can be disturbed by other factors such as a large number of exits to pensions as a result of population aging. Hence, the unemployment rate and the changes in this unemployment rates might give a better indication of the easiness for benefit claimants to find jobs. Here again, this data is made available by the OECD (2008) and shows that its variation was more important than GDP growth in the countries being benchmarked. Graph 10.1 shows the unemployment rates for each quarter of 2005 and 2006 in the five countries of the benchmark. As can be seen, while four out of five countries started the year 2005 with similar unemployment rates of just under 5%, the end of 2006 showed much more divergence. While Switzerland and the Netherlands both saw unemployment decline towards 4%, unemployment actually increased by more than half a percent in the United Kingdom. Australia, which had started at a slightly higher rate than Switzerland and the Netherlands, also lowered unemployment in those eight quarters. Declines were also seen in Canada, but at a much higher starting value of 7%, such that an almost 1% decline in those two years brought unemployment rates to slightly over 6%, and thus much closer to that found in the UK.

Graph 10.1 Unemployment rates, quarterly, 2005-2006



Source: OECD Economic Outlook Database, no. 83, 2008.

However, using data representing country level rates for Canada and Switzerland is not the most appropriate since the programs included in this benchmark take place in smaller regions of the countries. Hence, data on these regional levels, the Province of Ontario and the Canton of Geneva, would lead to better estimates of the strength of the labour market in which these programs take place. Nevertheless, data from Statistics Canada shows that unemployment rates in the Province of Ontario were very similar to that of the total rates for Canada, with 6.6% unemployment in 2005 and 6.3 % in 2006. The situation is very different with respect to the Canton of Geneva. Data from the Cantonal Office for Statistics (OCSTAT) shows that unemployment has been around twice as large in the Canton than for the country as a whole since the 1990s (OCSTAT, 2008). In fact, unemployment rates for the Canton of Geneva for the year 2005 and 2006 were respectively 7.4% and 7.0%. However, much of the data on the results of both programs related to the beginning of the 2000's. It should thus be taken into consideration that unemployment in the Canton of Geneva, as well as in the whole of Switzerland, was much lower in those years. For the Canton of Geneva, unemployment in 2000 was 4.1% and in 2002 5.1%. For the purpose of explaining differences in results, an approximate rate of 4.5% will be used for this benchmark. In terms of changes in this rate as an indication of the dynamicity of the labour market, it can be said that this rate was thus increasing rather rapidly, since 2003 even saw rates reach 6.3% within the Canton.

The benchmark below summarises the three sub-indicators of the economic and labour market context for the country or region in which the programs take place. These will be used again in the next chapter to explain variation in the rest of the benchmark.

Benchmark 19: Economic context

	GDP Growth	Unemployment Rate	Change in unemployment rate
United Kingdom	2.30 %	5.2%	Increasing
The Netherlands	2.25 %	4.5%	Decreasing
Australia	2.75 %	5.0%	Decreasing
Canada (Ontario)	2.95 %	6.5%	Decreasing
Switzerland (Geneva)	2.80 %	4.5%	Increasing

10.2. Labour law context

Even if the economic situation was similar in all countries in the benchmark, it could still be the case that it would be easier for participants in some countries to find a job on the labour market. Differences in ease of hiring and firing will imply that in some country potential employers might react differently to the possibility to hire someone coming from the unemployment benefit. The stricter the legislation, the less likely participants will form an interesting pool of potential workers for employers, since they might perceive the chance of needing to fire those new employees as being high. Nonetheless, strict employment regulations can also be put in relation with the rate of exit-to-work in each country, where a high level of strictness would indicate that for those participants who did find a job, job security will be relatively higher than in the other country. The OECD (2004, p. 77) discusses how strict employment legislation has the effect to reduce flows out of employment, but also reduce flows into unemployment by providing better job protection. The total effect EPL will have on unemployment is therefore very difficult to estimate, and many studies present diverging results (OECD, 2004, p. 81).

Employment protection and minimum wages also plays an important role in work-based employment programs where participants actually leave the benefit scheme to become regular employees. This was shown to be the case for the Employment Option of the New Deal for Young People and in about one quarter of the Dutch Work First projects. The conclusions on the differences in level of EPL for these two countries thus also say something about the conditions within the projects for those programs. This applies in particular with respect to benefit levels and sanctions, as sanctioning within those programs will go through employment protection legislation. Employment protection legislation is made up of many different elements of labour law. The tasks of comparing its strictness between different countries has been made much easier by the OECD, who compiled an index of this indicator, being made of in total 18 indicators. It is mostly composed of legislation protecting regular workers from dismissal, but has also been supplemented by requirements regarding collective dismissals and the regulation of temporary work contracts. Since all three of these components of the index are relevant for this benchmark, the overall index will be used. The latest data available is from the year 2003.

Within all OECD countries, the strictest EPL was found to be in Portugal (3.5), Turkey (3.5), Mexico (3.2) and Spain (3.1) (scores on the index in

brackets) (OECD, 2004, p. 117). On the other side, the lowest protection level was found in the United States, with an index score of 0.7. Four of the countries in this benchmark have index values on the lower end of this spectrum, with Canada and the United Kingdom showing the less strictness with a score of 1.1. This is followed by Australia, with 1.5 and Switzerland with 1.6. The highest level of strictness is found within the Netherlands, who received a score of 2.3.

In addition, it should be noted that both the United Kingdom and the Netherlands are member of the European Union. This means that some employment legislation will not be initiated on the national level, but will be required to be implemented in order to comply with EU directives. This fact is important to be mentioned since the idea of an external factor here takes a supranational character. Within these two EU countries, even national legislations have some “external factors” to consider when making their own laws. This of course is the case with many laws since most countries also must obey international laws in the forms of UN Treaties and ILO conventions. However, the benchmarking of these treaties has been left outside of the scope of this benchmark. The reasons for this is that only a small amount of variation is expected between the countries within this evaluation and the explanatory power such variation would have on the performance of their programs is also expected to be weak.

Besides the strictness of EPL, minimum wages also have an influence on the participants in work-based employment programs. Similarly to the level of employment protection, high minimum wages will make it more difficult for claimants to find a job, but will ensure more financial security to those participants who do find a job (see, amongst others, Immervoll (2007) on the effect of minimum wage on employment). Total effects on this benchmark are difficult to estimate, but these indicators will bring indicators such as the exit-to-work ratios in a broader perspective. As above, minimum wages were already mentioned earlier in the process benchmark with respect to the two programs where participants actually receive a salary in return for their participation in the program. Data concerning minimum wages across a large number of developed countries is also provided by the OECD, and Immervoll (2007) has extended the comparability of these wages by calculating and comparing their tax treatment. The wages have also been converted to US dollars and adjusted for Purchasing Power Parity (PPP) in order to allow for truly comparable amounts. Immervoll thus shows that there is actually only a very minimal difference with net wages in Australia, the United Kingdom and the Netherlands. All three countries show net minimum wages adjusted for international comparison to be just slightly above 7 US\$ per

hour (Immervoll, 2007, p. 13). Canada's net minimum wage is lower than this, at around 5 US\$ per hour adjusted for PPP. Switzerland, on the other hand, does not have any legal minimum wage, a situation similar to countries such as Germany. Nevertheless, net minimum wages are mostly relevant when looking at the financial situation of those who joined the labour market. In order to explain difficulties in finding jobs due to high minimum wages, the cost of hiring minimum-wage employees will give a better indication. Immervoll (2007, p. 15) also presented internationally comparable minimum-wage labour costs and showed that the highest costs were found in the Netherlands, with about 12 US\$ per hour of labour. This was followed by Australia at 9 US\$, the United Kingdom at slightly above 8 US\$, and Canada, at 7 US\$. Hence, while rankings are preserved, the Netherlands become more of an upper outlier and Canada converges towards the value of the other two Anglo-Saxon countries. Here again, no data available for Switzerland.

These two indicators represented the legal context of the environment surrounding work-based employment program. As chapter 4 mentioned, many more legislations could be seen as being part of the external factors influencing work-based employment programs. However, these two sub-indicators were chosen for the most likely variation they would have between the five countries as well as the important link these have with the impact of the program. Chapter 11 will go on with the analysis of these indicators of the labour law context in relation to the rest of the benchmark.

Benchmark 20: Labour law context

	Employment Protection Legislation OECD Strictness Index	Minimum wage (in US\$) - Net value - Labour cost
United Kingdom	1.1	- 7 - 8
The Netherlands	2.3	- 7 - 12
Australia	1.5	- 7 - 9
Canada	1.1	- 5 - 7
Switzerland	1.6	- n/a - n/a

10.3. Political context

While the two benchmarks above were expected to help in mostly explaining differences in impacts, the analysis of the political context will assist in the understanding of choices within the input and the process of the programs. Indeed, objectives, target groups, choice of program design and approaches will most likely be better understood when one is aware of the politics behind those programs. This benchmark intends to not only present rankings for each program, but spend considerable efforts in justifying those rankings and explaining the background of each program elements being ranked. This is done not only for the sake of sound methodology, but also for the ease of readability. Indeed, the danger is that one does not fully grasp the issues being discussed if too little information is being given within each ranking. As a result, the political context in which each program was implemented was already a large part of the discussion of the objectives of the program, as found in the first benchmark within the input-benchmark. This last benchmark can thus be seen as forming a loop between the end of the policy-chain and its start, as external factors surely play a role in choosing the level of input for the program. Even more specifically, the political context within the country or region is directly linked with the objectives of the social security system in general, and the work-based employment programs in specific.

Two indicators were chosen in chapter 4 to describe the political context in which work-based employment programs have been implemented and possibly reformed. The first indicator is the political ideology of the party (or coalition) that introduced the program. In order to facilitate comparisons, this indicator will be brought down to their place on the socio-economic ideology spectrum with respect to labour market intervention, from supply-side orientation on the left of the spectrum to demand-side orientation on the right of the spectrum. However, some of the work-based employment programs in this benchmark were first implemented quite some years ago, so it is possible that the current configuration has been mostly influenced by a new political party (or coalition) who would have become elected as the new ruling party. As a result, the second indicator with respect to changes in ruling party or coalition will be added to this benchmark, with three options possible: 1) no changes, 2) move towards the left of the spectrum, or 3) move towards the right of the spectrum.

As already mentioned above, it was already discussed within the objective benchmark that political parties and coalitions had a great influence on the implementation of work-based employment programs. In trying to keep this research concise and to avoid unnecessary

repetitions, the reader is thus referred to section 6.1 for a more detailed description of the political events surrounding the implementation of work-based employment programs. Nevertheless, since the data collection in section 6.1 was not focused on the present indicator, it is still worth shortly discussing which party or coalition introduced the programs, and whether a new party brought changes to the programs in the meanwhile.

Interestingly, almost all programs were implemented at the time where a political party or coalition was just newly elected as the ruling party or coalition in the government. The promises of a reform of social security and the increase in activation conditions for the unemployed were to a high degree a main part of their election platform. In Australia, Work for the Dole was introduced by the newly elected Coalition Government in 1997 (Martyn, 2006). This program was to replace the Working Nation programs which had been created by the Keating Government in 1994 (Martyn, 2006). This means that Work for the Dole was introduced at a time when Australia's government shifted from a centre-left social-democratic ruling towards a centre-left liberal ruling. The Coalition Government how thus had first introduced Work for the Dole has remained in power until the end of the period for which data was collected in this benchmark. It was however defeated in the elections of November 2007 by the Australia Labour Party, but this fall outside of the scope of this benchmark.

The New Deal was implemented by the newly elected Labour Party which had ended 18 years of ruling from the conservatives in 1997. The election platform of the Labour Party was highly focused on the "Third Way" in which supply-side solutions to the problem of unemployment found their ideological grounding (Finn, 2003). Hence, as opposed to the work-based employment programs in Canada and Australia, the New Deal was implemented from a centre-left ideological perspective. In addition, the Labour Party was still ruling government until the end of 2006 and beyond, so no changes will be registered in the second indicator of this benchmark.

Similarly to the situation in Australia and the United Kingdom, Ontario Works was implemented as a new party was elected in the provincial parliament of Ontario. The Progressive-Conservative Party of Ontario, a centre-right party active on the provincial level in Ontario, had won the election in 1995 mostly through an election platform called the "Common Sense Revolution", which proposed drastic reforms in social assistance (unemployment insurance being under the responsibility of the federal government) (Lightman, Mitchell and Herd, 2005). However, the party

did lose the 2003 elections the Ontario Liberal Party, a centrist party (“liberal” has to be understood here in its North-American context). The only notable change made to the program between the time the party came into power and the period of references for the data collection on this program in the benchmark had to do with the intake procedures for the benefit, which were simplified somewhat by going from a two-step procedure to only one step (see Lightman, Mitchell and Herd, 2004 (ser.del.mod)). More changes were intended by the new government but have yet to be implemented or were only recently implemented (see Mattheuws, 2004).

In the Netherlands, two levels of government are relevant for the political context of the Work First projects. On one side, national legislation and the political choices of the parties forming the coalition which rules in parliament has had great influence on the general direction of social security provision within the country at large. Up to July 2002, government was ruled by a centrist coalition of the Labour Party, the Liberals and a centrist party, the D66. This coalition had initiated the reform of the implementation structure for social security, the SUWI reform. This act, which came into power in 2001, laid an important basis for the implementation of work-based employment programs as it focused on the efficient delivery of social provision. Nevertheless, the reform of the Work and Income Act (WWB) on social assistance had the largest implication for work-based employment programs. This reform was initiated by the newly elected centre-right coalition made up of the Christian-democrats, the liberals and the fast rising right-wing party newly created by Pim Fortuyn. Three elements were crucial for the increase in number of Work First projects being implemented. First, the new WWB gave large financial incentives to the municipalities for reducing caseloads, within giving incentives in how this should be attained. Second, the definition of the type of work that had to be accepted by claimants went from “suitable work” to “generally accepted work”. And third, municipalities were allowed to use the services of private providers for the delivery of social programs. Following these changes, as many as 80% of the Dutch municipalities have said to use some form or another of work-based employment programs (Divosa, 2006).

On the other side, the local government in each municipality will actually be the one choosing whether or not to implement a work-based employment program, and will be free to make most decisions with respect to its design. The process-benchmark indeed often repeated how many elements of the process varied greatly from one project to the other. Hence, local politics can be expected to have a great impact on the choices

made by local policy-makers. As can be seen from the data collected by the Work First Benchmark 2006, the large majority of the municipalities were governed by centralist coalitions, made up of parties from both the centre-right as the centre-left side of the ideological spectrum. A further analysis of the variation within the projects in the Netherlands is outside of the scope of this benchmark since international variations are the focus of this evaluation.

The oldest of the work-based employment programs in this benchmark are the two programs from Geneva. The RMCAS was implemented in 1995 and the Temporary Jobs (in their current form) in 1997 (Fluckiger and Vasiliev, 2003 and 2005; and CEPP, 2002). In those years, the Liberal party was the largest in the Geneva canton parliament, the “Grand Conseil”, and this party is still up till now remains the largest. With respect to the RMCAS, a plan was made to merge it with the basic Social Assistance benefit into one single benefit where work-activities would be required from all claimants (November, 2002). This proposition was however rejected by a referendum in June 2002, with 58.8% of the voters against the reform (November, 2002).

The benchmark bellows summarises the two indicators of the political context as part of the external factors having an influence on the programs. Although surely much more can be said about the rise and fall of different political ideas and arguments for work-based employment programs, such as detailed account of the political developments in each country falls outside of the scope of this benchmark. It can nevertheless be concluded that four out of the five countries taking part in the benchmark saw work-based employment programs being introduced by recently elected centre-right parties or coalitions. Only in the UK did the work-based employment programs find its roots in a centre-left party, the implications of which were already discussed at length in the benchmark of the objectives of the program in section 6.1.1.

Benchmark 21: Political Context

Country	In government	Change in ruling party / coalition
United Kingdom	Centre-Left	No change
The Netherlands	Centre-Right / Centre	No change
Australia	Centre-Right	No change
Canada	Centre-Right	Change to left
Switzerland	Centre-Right	No change

10.4. Conclusions

In general, the external factors indicate a smaller amount of variation between the countries than when the rest of the policy chain was being benchmarked. The UK and Canada stick out with respect to the economic situation. The Netherlands and Switzerland diverge from the others when looking at the labour laws, since the Netherlands had clearly a much more strict level of employment protection, and Switzerland has no minimum wage. At last, the UK shows a much different situation in this benchmark with respect to its political context.

Following the hypothesis formulated in chapter 4, this would imply that it can be expected that exit-to-work would be constrained by high unemployment rates in the UK and Canada, as well as in Switzerland because of its increasing movement. Exit-to-work would also be expected to be lower in the Netherlands because of strict employment protection legislation and high costs for employing minimum wage labour. On the other side, this would also mean that the Dutch participants who did find a job through Work First would have a higher level of employment security. At last, the New Deal being implemented by a centre-right party, it can be expected that this program would be more focused on supply-side solutions to unemployment through the increase in human capital of those claiming benefits. As it can be remembered from the benchmarks presented earlier, some of these hypotheses prove to be wrong, but others do show some links between these external factors and the rest of the benchmark. Since the next chapter has for objective to combine all the information provided through the benchmarks and analyse their underlying relationships, more will be said in that chapter concerning the external factors and its influence on the rest of the policy-chain.