24. Effects and explanations of active labour market policy: theoretical and empirical challenges for cross-national research

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INTRODUCTION[1]

This chapter seeks to highlight and address some theoretical and empirical challenges in comparative research on *active labour market policy* (ALMP)—a concept which is simultaneously very concrete and somewhat elusive. ALMP customarily refers to selective governmental labour market interventions such as training programmes, employment subsidies, job search assistance, and direct job creation programmes, which are introduced to remove various obstacles to employment faced by their participants and which have received growing attention among policymakers and researchers alike in recent decades, as questions about how welfare states can be reformed to combat joblessness and boost employment rates have risen on their agendas (e.g., Eichhorst et al., 2008; Weishaupt, 2011; Morel et al., 2012; Bonoli, 2013, Clasen et al., 2016). At the same time, ALMP also has a number of connections and overlaps with other analytical concepts that deserve to be highlighted upfront.

A first adjacent concept is *activation policy*, which typically refers jointly to the aforementioned interventions—understood as 'enabling' labour market activity—as well as 'demanding' policy reforms that increase requirements on unemployment benefit recipients to engage actively in job search or ALMP participation to avoid economic sanctions (see Chapter 4, this volume; Eichhorst et al., 2008). Second, common ideational denominators have been identified between ALMP and other discretionary state interventions to support employment promotion. On that basis, Bonoli (2013) brings ALMP together with childcare and other family policies that promote employment of parents (especially women) under the umbrella term *active social policy*. The broader concept of *social investment* additionally includes other types of interventions meant to enable longer or more productive working lives (Morel et al., 2012). Third, there are some often-overlooked overlaps and functional equivalencies between ALMP and certain other policy fields. For instance, labour market training and employment subsidies are often also considered part of *industrial policy*, while *strategic tax exemptions* and *strategic public procurement* policies can serve as functional equivalents to ALMP for governments that seek to boost employment of particular groups of workers (Cronert, 2022b). Also, there is a relationship between *vocational training* and ALMP, particularly so those targeting youth (Durazzi and Geyer, 2020, 2021).

Whereas this chapter focuses specifically on the 'enabling' labour market interventions mentioned above, the brief exposition here is important to keep in mind since the concepts in question are not always consistently applied in research involving ALMP. Also, it invites critical reflection about the extent to which different theories discussed in the involved literatures

may or may not travel across policy fields and conceptualizations. Careful consideration of these matters may create opportunities for fruitful cross-breeding, while unreflective generalizations may instead spur confusion and hinder scholarly advancement.

The chapter is structured as follows.[2] Section 24.1 presents a brief state-of-the-art of the comparative research on ALMP programmes, focusing on their macro-economic effects and their political and economic explanations. Section 24.2 argues that to advance scholarship in both these strands, scholars need to recognize that ALMPs are profoundly versatile policy tools that can be designed to trigger a variety of labour market transitions with distinct distributional consequences—and therefore be in the interest of a variety of political actors. I propose a labour market-oriented theoretical definition of ALMP and highlight how programmes vary in consequential ways in terms of their target groups and their intended labour market outcomes. Section 24.3 spells out some theoretical and empirical implications of the versatility of ALMP programmes for future research. This discussion demonstrates the benefits to comparative scholars of shifting from the dominant country-level analyses of ALMP to the *programme level*, previewing two sparsely used data sources on programme characteristics and reform events. The section also discusses recent cross-national data on citizens' attitudes towards ALMP relative to other policies, which paves the way for new research on public opinion in this field. A final section concludes the chapter.

24.1 MAJOR DEBATES IN COMPARATIVE RESEARCH ON THE EFFECTS AND EXPLANATION OF ALMP

24.1.1 Individual-Level and Macro-Level Effects of ALMPs

For as long as there have been ALMP programmes, scholars in labour economics, sociology, and other disciplines have sought to evaluate the effects that programme participation may have on individual-level outcomes. Some attention has been devoted to broader health-related or social outcomes (e.g., Sage, 2015; Andersen, 2021), but most evaluations have focused on labour market outcomes such as employment or earnings. Whereas a summary of this voluminous literature falls outside the scope of this chapter, reviews by Card et al. (2018) and Crepon and van den Berg (2016) conclude that the average impact of programme participation tends to be limited in the short run, but can be more positive in the medium and long run—depending on the content and participants of the programme. Of particular relevance for comparative research, the effects of ALMPs are not necessarily limited to their participants, as large programmes may also have equilibrium effects on the labour market and the economy as a whole (Crepon and van den Berg, 2016). Such effects may pertain to the size and composition of the labour force, overall employment, productivity, competition, wages, as well as public finances (see Calmfors, 1994 for an extensive discussion).

Several cross-national studies of advanced democracies have analyzed such equilibrium effects. Recent studies typically use time-series–cross-sectional data covering 15 or more OECD countries over 15–25 years to investigate how yearly changes in public spending on ALMP correlate with changes in macro-level outcomes. Whereas a few of them also consider poverty (Taylor-Gooby et al., 2015) or job quality (Nelson and Stephens, 2012), most focus on employment and/or unemployment. These studies mainly report positive associations between employment and ALMP spending, or spending on particular categories of programmes (e.g.,

Bradley and Stephens, 2007; Abrassart, 2015; Escudero, 2018; Fredriksson, 2021). A couple of concerns with these analyses, however, deserve highlighting.

First, when creating their indicators of ALMP 'effort' exerted by the government, these studies routinely divide public spending on ALMP by the unemployment rate in an effort to adjust for 'problem pressure'. As it turns out, this is a highly consequential choice that raises concerns regarding reverse causality. The problem is documented in the Appendix of this chapter, which reports two sets of otherwise identical time-series–cross-sectional regression analyses of the relationship between ALMP spending as share of GDP and the employment rate in 29 countries, where one set adjusts the ALMP spending indicator by unemployment while the other does not. This operation makes all the difference for the results, as only the unemployment-adjusted indicator is positively related with employment. This finding is rather intuitive: to the extent that the individuals who have transitioned into employment have (for whatever reason) moved out of unemployment, the denominator in this version of the indicator will decrease mechanically, which will in turn inflate the coefficient. This is not to say that the non-adjusted indicator of ALMP spending is free from problems, but rather that scholars need to be aware of the sensitivity of their results to the choice of indicator in this kind of analysis. Indeed, the few recent studies that do not make this unemployment adjustment instead report negative associations between ALMP spending and employment (Taylor-Gooby et al., 2015; Kuitto and Helmdag, 2021).

A second, more general concern pertains to the intended outcome of the studied programmes. As discussed below, not all programmes are directly aimed at increasing employment or reducing unemployment, and some seek to promote particular types of employment rather than employment as such. This means that we should not expect all ALMP programmes to affect aggregate employment or unemployment in the first place. Without knowledge about the composition of the overall programme portfolio, it therefore appears risky to draw inferences about equilibrium effects from analyses based on aggregate expenditures.

24.1.2 Political and Economic Explanations of ALMP

A larger strand of comparative research is concerned with the political and economic explanations of ALMP development.[3] While this literature still harbours much scholarly disagreement, most analysts tend to agree that ALMPs can to some extent be viewed as a response to the pressures exerted on labour markets by the forces of deindustrialization and globalization (e.g., Katzenstein, 1985; Bonoli, 2013). Furthermore, significant congruence has been observed between the policy instruments that policymakers have introduced and the various strategies and recommendations that the EU and the OECD have adopted since the mid-1990s (e.g., Weishaupt, 2011). These two factors have contributed to a stylized understanding of ALMPs as inherently technocratic policy instruments that are subjected to extensive scientific evaluations, diffused through policy learning processes among international networks of policymakers and experts, and rolled out as a somewhat functionalist solution to various clearly defined labour market challenges associated with the post-industrial economy.

In the abovementioned account, little room is left for political conflict over ALMP among democratically elected governments and their constituencies. That notion, however, is markedly at odds with those from two other scholarly camps. Most early accounts of ALMP development in Western democracies view these policies as a creation of the agents of the working class (e.g., Esping-Andersen and Friedland, 1982). Following a logic that is broadly in line

with the 'power resources' approach, unions and social democratic parties are considered more inclined than employers and right-wing governments to expand ALMP, because these policies strengthen labour as an organized social force by contributing to lower levels of unemployment.

The power resources approach is challenged by Rueda (2006, 2007), who argues that recent socioeconomic transformations have split the traditional social democratic constituency into two loosely defined groups—'insiders' and 'outsiders'—who have partly clashing interests due to their differing status on the labour market (see Chapter 3 in this volume). From this perspective, ALMPs do not favour the already employed and well-protected insiders, as they both increase the tax burden and promote the entry into the labour market of outsiders who can underbid insiders' wage demands. Because social democratic parties in post-industrial settings are more inclined to serve the interests of insiders—especially in cases where they are subjected to pressure from insider-oriented unions—these parties are unlikely to support, and might even oppose, ALMP (Rueda, 2007).

Further questioning the working-class bias of ALMPs, some scholars have argued that these policies—particularly training programmes, labour market services, and employment subsidies—may also (or indeed primarily) benefit employers (Mucciaroni, 1990; Farnsworth, 2012). This would suggest that right-wing parties, which have closer ties to the business community, should be more favourable toward ALMP than the power resources theory predicts. The empirical literature is divided regarding the impact of left-wing influence on the level of ALMP 'effort' exerted by the government. Studies conducted over the past 15 years have alternately reported evidence supporting hypotheses about positive, null, and negative relationships (for reviews, see Tepe and Vanhuysse, 2013; Cronert, 2019a).

Any explanation of ALMP development that involves distributional conflict among political parties needs to consider voters' policy preferences in one way or another (Rueda, 2007). Here, a difference between ALMP programmes and many other social policy programmes is that their potential support coalition is not necessarily limited to, or even primarily consists of, those in the programme's target groups. Indeed, people who view themselves as net contributors to social security systems, including employers and better-off workers, may view ALMP programmes as win-win solutions to social problems, since they can improve the well-being of their target groups while reducing reliance on publicly funded transfer programmes (Bonoli, 2013). Although empirical evidence on public preferences towards ALMP is still scarce, a few studies indicate that such considerations may be part of the explanation of the overall resilience of ALMP and similar state interventions (Garritzmann et al., 2018; Cronert, 2022b).

Most comparative research on ALMP tends to treat all programmes in equivalent terms, assuming that they are governed by similar political and economic logics. A more recent wave of studies has begun to relax this assumption, acknowledging more explicitly that categories of ALMP with different content—such as training, employment subsidies, and direct job creation measures—have different effects on individuals and on the labour market and that, consequently, they presumably vary with respect to how different political actors value them (e.g., Bonoli, 2010; Nelson, 2013; Tepe and Vanhuysse, 2013; Vlandas, 2013; Gingrich and Ansell, 2015; Cronert, 2018). However, while the studies adopting this 'disaggregated country-level' approach do represent a sophisticated advance within the field, their findings regarding the politics of ALMP are as inconclusive as those in previous literature (Cronert, 2019a).

The same two concerns mentioned previously may be raised with regard to this strand of the literature, and are likely important parts of the explanation of the inconclusive results.

The first has to do with the choice of dependent variable; for instance, whether or not ALMP spending is divided by the unemployment rate (Clasen et al., 2016). A more fundamental reason is likely that the plentiful variation in the design of ALMP programmes has not received sufficient attention. The OECD expenditure data used to construct the dependent variables in most comparative studies may, at most, be disaggregated into a number of broad content-based policy categories exemplified above. As pointed out by Clasen et al. (2016), this level of empirical detail is likely insufficient for most analytic purposes, considering that theoretically oriented policy scholars have long noted that the distributional effects of labour market policy interventions are by no means predefined but instead depend on their detailed design with respect to not only content but also targeting, duration, financing, and so on (see, e.g., Katz, 1998). A general takeaway from this literature is that we need to take such design variations seriously—and if we do so, our understanding of the impact of government party composition and other political variables on ALMP development can be refined.

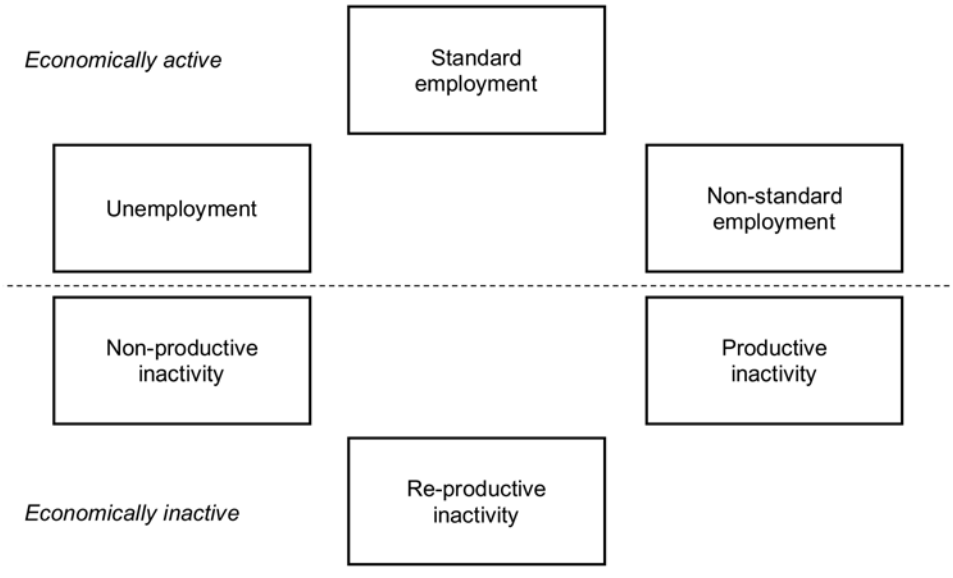
24.2 THE VERSATILITY OF ALMP: AN ANALYTIC FRAMEWORK AND A REFINED DEFINITION

To demonstrate the analytical benefits of further relaxing the equivalence assumption of ALMPs, in what follows I discuss how programmes vary in two respects—the participant groups they target and the intended labour market outcome of participation—that should be consequential for their effects as well as their explanation.

24.2.1 A Labour Market-Oriented Framework for ALMP Analysis

A good way to start this discussion is by outlining a framework of labour market statuses between which working-age individuals may transition over the course of their lifetime. Following Cronert (2022a), I propose a framework with six statuses, as outlined in Figure 24.1. The point of departure for this framework is a scheme that has long served as the international standard for measurements of the population's economic activity and that categorizes working-age individuals in three mutually exclusive and collectively exhaustive statuses: employment, unemployment, and economic inactivity. However, to fully understand the causes and effects of ALMP we must first recognize the considerable heterogeneity of activities included in the major categories of employment and economic inactivity.

First, with regard to employment, it is sufficient for our present purposes to divide the employed into two broad categories. Therefore, let us denote full-time, permanent employment as *standard employment*, and label all deviations from that kind of arrangement as *non-standard employment*. Second, among the economically inactive population, it is useful to distinguish three groups. The first is those who are not currently active because of attendance at educational institutions. Because educational activities tend to increase an individual's future economic productivity, we may refer to this status as *productive* inactivity. A second reason for economic inactivity is engagement in household duties. Among these persons, we may refer to those who are involved in care of children as being in *re-productive* inactivity, while we may refer to other homemakers, together with the remaining economically inactive population—including discouraged workers not actively seeking work—as being in *non-productive* inactivity (see Cronert, 2022a for details).



Source: Cronert (2022a).

Figure 24.1 Six collectively exhaustive labour market statuses

The resulting framework includes six theoretically distinct labour market statuses, which we can think of as a set of mutually exclusive and collectively exhaustive statuses that working-age individuals may be in and between which they may transition, transitions which may be affected by ALMPs (as well as other policies). Given the productive nature of education, a last useful distinction could be added, whereby the two employment categories together with the productive inactivity category are referred to as growth-enhancing, or *productive*, labour market statuses, and the remaining three are referred to as non-productive.

We may now theoretically define ALMP in relation to this framework as follows: *active labour market policies are public interventions in the labour market aimed at promoting individuals' transition to, or retention in, productive labour market statuses, which can be distinguished from other general employment policy interventions in that they act selectively to support people who are unemployed, economically inactive, or employed and at risk of losing their jobs.* This definition harmonizes well with the operational definition of ALMP that guides data collection on labour market policy measures by the European Commission and the OECD, which should make it useful in most cross-national applications (cf. European Commission, 2018: 7).

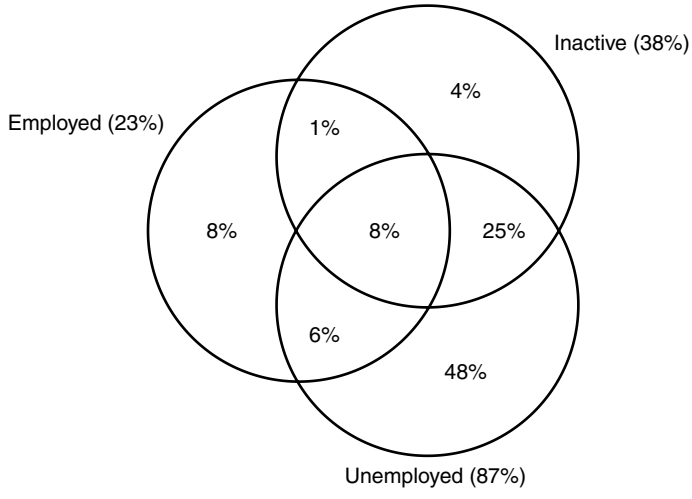
24.2.2 Targeting

The framework presented above can be used to understand two important sources of variation in ALMP design, the first of which concerns targeting. In line with Rueda's (2006) influential claim that ALMPs unambiguously benefit labour market outsiders, comparative research on ALMP has mostly ignored that—irrespective of their content—ALMP programmes may

actually be targeted very differently. Indeed, programmes in all categories may target any combination of groups in the six labour market statuses discussed above. Usefully, the programme-level EU LMP Database (European Commission, 2021b)—discussed more in detail below —contains indicators on whether a programme targets people in employment, unemployment, and/or economic inactivity, respectively, which can illustrate this point.

For all labour market measures in the EU-27 and Norway between 1998 and 2013, the Venn diagram in Figure 24.2 shows the percentage of programmes within each of the possible combinations of the three target groups. For almost nine out of ten programmes, the target group includes people who are registered unemployed. Perhaps more surprisingly, nearly one in four programmes target people who are employed but at risk of losing their jobs. Examples include so-called short-time work programmes that many European governments rolled out during the Great Recession as well as the COVID-19 crisis to subsidize work time reduction and training for workers who would otherwise run the risk of dismissal—and programmes that serve to sustain the employment of workers with reduced working capacity. Furthermore, for four out of ten programmes, the target group includes people in inactivity. Although most such programmes also cover other target groups, some exclusively target narrower socially excluded groups.

Targeting is crucial for understanding programme effects. For instance, Card et al.'s (2018) review concluded that training and private sector employment subsidies have relatively larger positive effects when targeted to the (long-term) unemployed, whereas job search assistance programmes are more successful for more disadvantaged groups who are not registered unemployed. Targeting is likewise important for understanding how ALMP programmes are treated politically. To begin, how programmes are targeted is related to how much resources



Source: Cronert (2022a), European Commission (2021b).

Figure 24.2 *Target groups of ALMP programmes in the EU-27 and Norway Venn diagram based on 9,180 programme-year observations, 1998–2013. Percentages sum to 100*

are devoted to them and how vulnerable they are to termination. Cronert (2019b), for example, finds that among counter-cyclical employment subsidies in Europe, those specifically targeting labour market insiders—such as the aforementioned short-time work programmes—are, on average, allocated 50 per cent more spending per participant than programmes targeted more broadly at people in unemployment and inactivity. As to party politics, research has found that right-wing governments are less inclined than left-wing governments to expand ALMPs exclusively targeted at the unemployed and/or the employed at risk of dismissal (Cronert, 2019a), and more inclined to increase spending in contexts where it is more likely to benefit individuals outside the labour force, such as in the case of training programmes in countries where insider-oriented unions have limited opportunities to steer targeting towards their members (Gingrich and Ansell, 2015).

24.2.3 Intended Labour Market Outcomes

A second source of variation in ALMP programmes is the intended labour market outcome of the participation, or, to put it in relation to the framework in Figure 24.1, the labour market status(es) to which the participant is intended to go during or after his or her participation. Naturally, the objective of most programmes is to enable participants to enter, or remain in, employment. In practice, however, programmes are more or less specific about the intended destination. Short-time work programmes, for instance, are specifically oriented toward employment, as they serve to prevent workers from flowing out of employment into unemployment or inactivity. Similarly, employment subsidy programmes typically involve the establishment of a formal employment contract, which usually means that the participant's unemployment spell is broken or suspended and that his or her labour market status is automatically switched from unemployment to employment—at least for the duration of the programme. Another possible switch of status, mostly relevant for training measures, is from unemployment to productive inactivity (i.e., education).

Some employment subsidies are intended specifically to promote standard employment, by being granted only if the employer signs a permanent contract with a disadvantaged worker. Other programmes are much less definite about the intended destination of participants. Examples include so-called 'work first' programmes aimed at unemployed and inactive individuals to initiate or increase job search activity, often as a requirement for maintaining cash benefits. Compared to training programmes and private sector employment subsidies, 'work first' measures tend to channel people into non-subsidized employment more quickly, but their long-term effects on employment and earnings tend to be more limited (Card et al., 2018). Expressed in relation to Figure 24.1, such programmes are more likely than others to channel people into non-standard employment.[4] Here, it may also be noted that to the extent that job search assistance and similar programmes target people in inactivity, and yet these participants fail to find a job, programme participation may result in a transition from inactivity to unemployment. This implies that some ALMP programmes might, counter-intuitively, *increase* unemployment as a share of the labour force.

Taking these heterogeneous designs into account appears crucial in analyses not only of the effects but also of the political explanations of ALMP programmes, given that unemployment levels and questions about what constitutes acceptable employment conditions continue to be politically salient issues (see e.g., Cronert, 2019a; Picot and Menéndez, 2019).

24.3 DIRECTIONS FOR FUTURE ALMP RESEARCH

The dimensions discussed above are but two of the many ways in which ALMP programme designs can vary, but they help to illustrate how relaxation of the equivalence assumption of ALMP programmes reveals these policies to be versatile 'multi-tools' that can be used by different political actors for very different purposes. As discussed below, this understanding has theoretical and empirical implications for future research on both the effects and the causes of ALMP.

24.3.1 Theoretical Implications of the Versatility of ALMP Programmes

Emphasizing the versatility of ALMPs underscores the importance of more informed theories about the preferences and actions of different political actors with regard to ALMP. In a first application using the framework above, Cronert (2022a) formulates a new set of refined hypotheses about the ALMP preferences of parties with different placement on the left–right spectrum, suggesting that right-wing parties will favour a narrower targeting focused on the economically inactive, and be more permissive of outcomes involving non-standard employment and unemployment. Similar frameworks could be useful for identifying potential support coalitions for different types of ALMP programmes among other political actors as well, including firms, unions, employer organizations, and state bureaucracies (e.g., Fossati, 2018).

Taking the versatility of ALMPs into account also seems important for public opinion research on ALMP. Drawing on the literature on 'deservingness', one might for instance conjecture that the general public is more favourable towards programmes whose target groups are perceived by the public as lacking control of their need for support (van Oorschot, 2006). This would imply that short-term work programmes targeting employed insiders at risk of job loss in an economic downturn, and employment subsidies aimed at disabled persons in economic inactivity, likely enjoy broader support than those targeting groups that the public tends to perceive as less deserving, such as long-term unemployed and immigrants (van Oorschot, 2006). Likewise, the versatility of ALMPs is important to keep in mind in analyses of their macro-level effects, both considering for what groups one should expect to see a particular effect, and what type of labour market transition one should expect from participation in a given programme (Card et al., 2018; Fredriksson, 2020).

Evidently, a number of other economically and politically important target groups cut across the six labour market statuses outlined above. Of particular interest for future research is the treatment of three groups—youth, women, and immigrants—that each face distinctive challenges on the labour market as well as in the political arena. Another alterable and politically salient dimension that deserves further consideration is the involvement of different actors in the organization and implementation of ALMP (for detailed discussions, see Bredgaard, 2018; Gallego and Marx, 2017; Cronert, 2018). This is because programmes with similar objectives may be produced by either public, for-profit, or not-for-profit providers—and with different degrees of involvement by prospective employers themselves—which will determine to whom programme expenditures are ultimately channelled (Cronert, 2018). A related dimension concerns what portions of programmes' expenditure are financed by general government funds, social security funds, and—in the case of several EU member states—resources from the

European Social Fund, which will determine who pays for them and in turn affect their political dynamics.

Lastly, the versatility of programmes also matters for how ALMPs are understood in relation to other policy fields. As mentioned above, ALMP programmes are oftentimes lumped together analytically with, on the one hand, 'demanding' reforms of unemployment benefit systems—that have less versatile and arguably more unilaterally punitive functions—and, on the other hand, other types of 'enabling' social investments—that may themselves have rather different effects and support coalitions. Studies relying on the assumption that such broad groups of policies are governed by equivalent political and economic dynamics appear increasingly challenging once the versatility of ALMP programmes is properly considered.

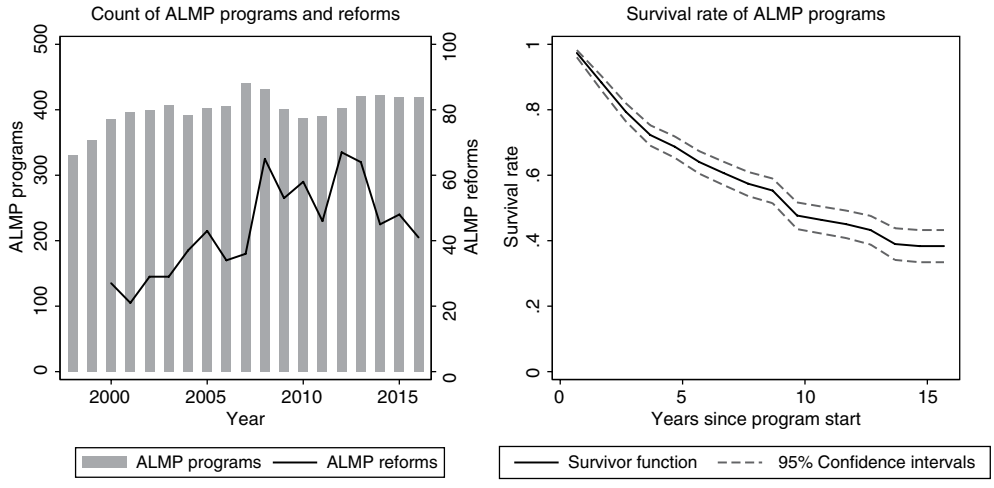
24.3.2 More Detailed Data, More Methodological Opportunities

The points raised above also have empirical implications. First, they point to a need for more in-depth qualitative studies of the political actors and processes involving ALMP, not least to evaluate the assumptions that go into quantitative analyses, and to explore additional important design dimensions (Clasen et al., 2016). Second, quantitative scholars need datasets with much more detailed information than aggregate public expenditure to be able to disentangle the different ways in which policymakers make use of ALMPs, as well as their different effects. Ideally, we would like to have data that track programmes and their settings over time and/or event data indicating occasions of birth, reform, or termination. For European countries, two sparsely used databases—the EU Labour Market Policy database utilized in Figure 24.2 and the Labour Market Reform database (LABREF)—appear particularly well suited to that end.

The EU LMP database reports programme-year-level data on labour market programmes from across member states plus Norway, going back to 1998 for several countries (European Commission, 2021b). It includes information about a large set of programme characteristics, as well as summaries of expenditures and participants that are reported annually for each programme operating at the national or regional level in each country. These data reveal a great deal of programme heterogeneity, further explored in Cronert (2019a, 2019b) and Fredriksson (2020). For now, we can consider two findings reported in Figure 24.3 for 15 EU Member States.

The first finding concerns the sheer number of programmes, represented by the bar chart in the left panel. In an average year, each country had on average 27 programmes in operation. This number has increased slightly since the late 1990s, and unsurprisingly saw a temporary peak after the onset of the Great Recession. The second finding is that there is a considerable turnover of programmes. This is illustrated in the right panel, which plots Kaplan-Meier survival estimates for all ALMP programmes that started between 1998 and 2012. The estimates suggest that 30 per cent of these programmes are terminated within five years of enactment and that the survival rate drops below 50 per cent after ten years. Given the overall stability of the total number of programmes, these estimates reveal that a great number of changes are nevertheless made to the composition of the programme portfolio.

This claim is supported by data from the LABREF database, which contains information about enacted legislation, other public acts of general scope and relevant collective, and tripartite agreements for the EU countries, in several policy fields including ALMP (European



Note: Includes Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain and Sweden. Kaplan-Meier survival estimates are computed for programmes introduced during the observed period (starting 1998 or later).
Sources: European Commission (2021a, 2021b).

Figure 24.3 ALMP programmes and reforms in 15 countries

Commission, 2021a). For the 15 countries here, for which the database starts in 2000, there are 743 cases of reforms meant to increase the availability, generosity, or effectiveness of ALMPs. As shown in the left-hand panel of Figure 24.3, reform activity has increased during the period, and was particularly high during and following the Great Recession.

These new types of data provide an opportunity to expand the methodological toolbox used in comparative ALMP research beyond the country-level and disaggregated country-level approaches discussed above, by allowing for programme-level analysis. Three programme-level approaches appear particularly useful. The first is event-history analysis—such as the survival estimates reported in Figure 24.3—that can be used for testing hypotheses related to the frequency or timing of events, such as the introduction, reformation, or termination of programmes. The second approach is to analyze the aggregate effects of particular programme-related events (provided that they are substantial enough) in country-level difference-in-difference analyses where the dependent variable is a macro-level outcome of interest. A third approach is to structure the programme-level data as panel data and analyze how a programme-level outcome—for instance, programme expenditure or the stock or flow of participants—changes over time in relation to covariates of theoretical interest (Cronert, 2019a).

Naturally, comparative scholars are often primarily interested in studying ALMP at a higher level than the individual programmes. For such purposes, the programme-level data can fairly easily be divided into theoretically informed spending categories, which are then aggregated to the country level. This enables more fine-grained analyses than the content-based programme categories in the existing 'off-the-shelf' country-level datasets, and helps ensure that theory can inform empirical categorizations rather than the other way around.

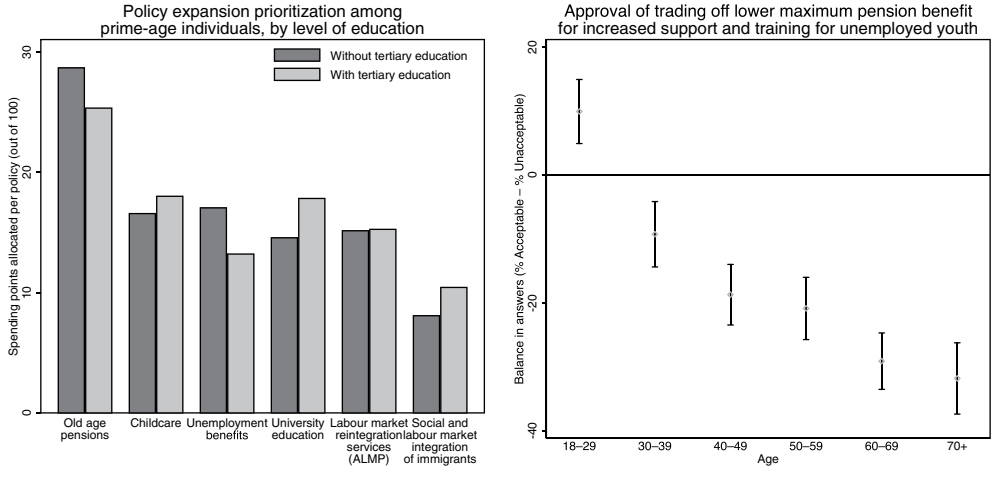
However, while country-level analyses are sometimes useful, there are reasons to be cautious about making direct comparisons between individual countries based on (any) ALMP datasets produced by the EU or the OECD. First, such comparisons may be distorted due to cross-country differences in reporting practices as well as the fact that programmes operated by local governments are not covered by these datasets (Clasen et al., 2016). Second, expenditure levels do not necessarily reflect the content or quality of ALMP programmes (Nelson, 2013; Cronert, 2019a). Third, and more fundamentally, expenditure-based indicators of ALMP 'effort' are rather poor proxies of the concept which is arguably of most theoretical interest in cross-national political analyses, namely the underlying social right to work-oriented support services granted to different groups of workers (Clasen et al., 2016). The programme-level participant data and the reform data discussed above arguably provide opportunities for improvements in that regard. However, the development of systematic social rights indicators on ALMP remains a key undertaking for future comparative research (further complicated by the fact that programmes oftentimes do not provide beneficiaries with legally enforceable entitlements).

24.3.3 Public Opinion Data on ALMP Priorities

An important barrier to advancing ALMP research has long been a lack of relevant and systematic public opinion data—especially data capturing how ALMP is perceived relative to other social and labour market policy fields (for an exception, see Gallego and Marx, 2017). Two datasets compiled by Garritzmann et al. (2018) and Häusermann et al. (2020a, 2020b) are important remedies to this problem, providing data from several Western European countries on citizens' attitudes towards a variety of social policy fields, including the relative importance they attribute to them.

Figure 24.4 demonstrates some of Häusermann et al.'s (2020) data for 2018/2019.[5] The question reported in the left panel asked respondents to allocate 100 points among six policy fields based on how important they considered improvements in each field. Comparing the importance ratings of prime-age (aged 25–54) individuals with and without tertiary education, the bar chart yields interesting findings. First, ALMP (here denoted 'labour market reintegration services') is on average prioritized largely on par with the other two social investments (childcare and university education), all of which are clearly perceived as less important than old age pensions. Second, ALMP is noticeably the only policy for which there is no significant difference between the two educational groups. This finding is at odds with accounts that ascribe a specific support coalition to ALMP as such, whether the traditional working-class or the better-off social strata. It also raises questions about the popular practice of considering ALMP as equivalent to the other categories of social investment—both of which are clearly more prioritized by people with tertiary education. Third, the findings underscore the political importance of targeting, considering that the general labour market re-integration services are allocated 70 per cent more points than the closely related social and labour market integration services targeted specifically at immigrants.

The importance of targeting is further substantiated by the right panel, which reports, for six age groups, the average approval of increasing support and training for unemployed young people, at the cost of slightly lowering the maximum old age pension benefits. Although pensions are unsurprisingly prioritized higher by older respondents, it is only in the youngest age group—i.e., the target group itself—that a comfortable majority finds the



Note: Includes Denmark, Germany, Ireland, Italy, Netherlands, Spain, Sweden, United Kingdom. Sociodemographic weights applied. Left panel: $N = 6{,}179$ (ages 25–54). Right panel: $N = 9{,}102$ (ages 18–96), with no data from Germany and United Kingdom. Spikes denote 95 percent confidence intervals.
Source: Häusermann et al. (2020b).

Figure 24.4 Citizens' attitudes towards ALMP relative to other policies in eight countries

proposal rather or completely acceptable. Needless to say, much work remains to be done regarding public opinion on ALMP, which is why data like these are a very welcome contribution to the field.

CONCLUSION

Some years ago, a critical review of the comparative ALMP literature concluded that the 'process of uncovering the causal dynamics specific to this policy field is still in its infancy' and called for increased sophistication—theoretical as well as empirical—in future research (Clasen et al., 2016: 34). This chapter has sought to identify ways to advance the literature in both these respects. As regards theory, it has argued for taking variation in ALMP more seriously, by thinking of these programmes as profoundly versatile sets of 'multi-tools' that policymakers can use as a means to very different distributional ends. Key to understanding the causal dynamics of ALMP, thus, is to pay more attention to their detailed designs, which reflect their intended targets and distributional effects. With respect to empirical analysis, the chapter has argued for moving beyond analyses of aggregated or disaggregated country-level expenditure, towards programme-level analysis, and has highlighted a number of sparsely used cross-national datasets that allow for improved analytic sophistication.

Given that comparative researchers nowadays often analyze ALMP programmes together with other types of policies—under umbrella concepts such as activation policy or social investment—it now appears more important than ever that the similarities and differences among the policies under consideration are well understood from the outset, to ensure that future scholarship in this field is both theoretically and empirically sound.

NOTES

1. Funding for this work has been provided by the Swedish Research Council [2018-04898].
2. Sections 24.2.2 and 24.2.3 are based to a large extent on Cronert (2022a).
3. For more comprehensive discussions about the historical roots and developments of ALMP, see Bonoli (2010) and Weishaupt (2011).
4. Relatedly, some job creation programmes explicitly channel people into part-time employment, mainly to increase the number of new positions that can be created for a given financial envelope.
5. I thank the authors for generously providing me with these data.

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APPENDIX: HOW UNEMPLOYMENT ADJUSTMENT IMPACTS THE EFFECT OF ALMP ON EMPLOYMENT

Table 24.1A demonstrates the consequences of adjusting indicators of ALMP 'effort' by unemployment when analysing the macro-level effect of ALMP on employment. The table reports two sets of three increasingly flexible time-series–cross-section models that regress the employment rate, in 29 countries over around 28 years, on a standardized indicator of ALMP effort and a full set of country and year dummies. The only difference between models 1–3 and models 4–6 is that in the latter set, the ALMP effort indicator (spending as percentage of GDP) is divided by the unemployment rate before standardization. Evidently, this operation makes all the difference to the results. Whereas the relationship between the non-adjusted ALMP effort indicator and employment is negative or non-existing, the unemployment-adjusted indicator consistently shows a substantial and significant positive relationship with employment.

Table 24.1A How unemployment rate-adjustment impacts the effect of ALMP on employment

	No unemployment adjustment			Unemployment adjustment		
Dependent variable: Employment rate	1: Static	2: PA	3: ADL	4: Static	5: PA	6: ADL
Lagged employment rate		0.86***	0.86***		0.79***	0.83***
		(0.021)	(0.021)		(0.024)	(0.024)
ALMP effort (short-run effect)	–0.42**	–0.05	–0.29*	1.72***	0.79***	1.32***
	(0.171)	(0.089)	(0.161)	(0.123)	(0.088)	(0.119)
ALMP effort (long-run effect)		–0.32	0.12		3.82***	3.40***
		(0.628)	(0.651)		(0.381)	(0.393)
Observations	854	825	825	854	825	825
Countries	29	29	29	29	29	29
Country and year FE	Yes	Yes	Yes	Yes	Yes	Yes
Lagged ALMP effort	No	No	Yes	No	No	Yes

Notes: Linear models estimated using Prais-Winsten regression with AR(1) autocorrelation structure. Coefficients are standardized. Panel-corrected standard errors in parentheses. PA = Partial Adjustment. ADL = Autoregressive Distributed Lag. $* p < 0.10$, $* * p < 0.05$, $* * * p < 0.01$.
Source: All data are from Armingeon et al. (2019).