

Evaluation of labour market policies : what lessons for innovation policies?

Antoine Bozio

Institut des politiques publiques (IPP)

OECD

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Outline

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method

Pathways to work
Lessons

II.
Multi-instrument
policies

WFTC in the UK
Lessons

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- I. The choice of method : the example of Pathways to work
- II. Multi-instrument policies : the example of WFTC

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- 1 The example of Pathways to work
- 2 What lessons ?

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- **The programme**
 - Goal : Bring recipients of Incapacity benefits back to employment
 - Financial incentives, intensive interviews, choices packages

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- **The programme**
 - Goal : Bring recipients of Incapacity benefits back to employment
 - Financial incentives, intensive interviews, choices packages
- **Evaluation**
 - Pilots areas selected, programme rolled out in four waves
 - Independent evaluation carried out (IFS, PSI, Natcen)

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- **The programme**
 - Goal : Bring recipients of Incapacity benefits back to employment
 - Financial incentives, intensive interviews, choices packages
- **Evaluation**
 - Pilots areas selected, programme rolled out in four waves
 - Independent evaluation carried out (IFS, PSI, Natcen)
- **Data collected**
 - Surveys carried out before and after the policy
 - Matched with administrative data

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- **Methods**
 - Difference in differences
 - Propensity score matching
 - Microsimulation and cost benefit analysis

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- **Methods**

- Difference in differences
- Propensity score matching
- Microsimulation and cost benefit analysis

- **Results**

- Positive impact on employment for the flow (+5-7ppts)
- No negative impacts on wages
- No negative impact on self-assessed health
- CBA positive based on conservative assumptions

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FIGURE 1: Outflow rate out of IB (6 month)

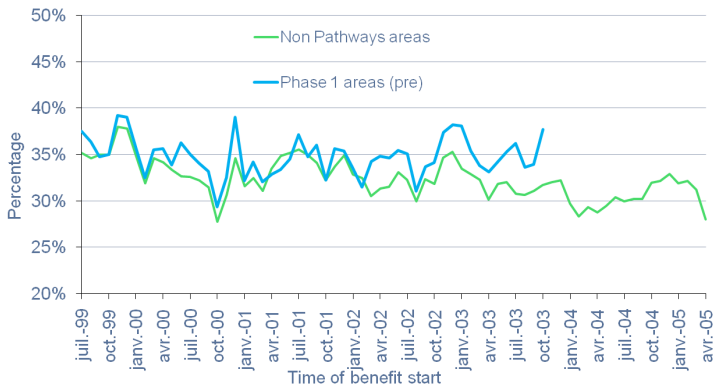


SOURCE : Adam et al. (2008)

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FIGURE 2: Outflow rate out of IB (6 month)

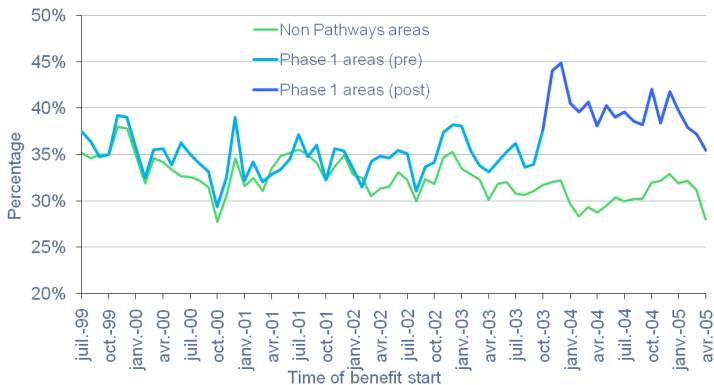


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FIGURE 3: Outflow rate out of IB (6 month)

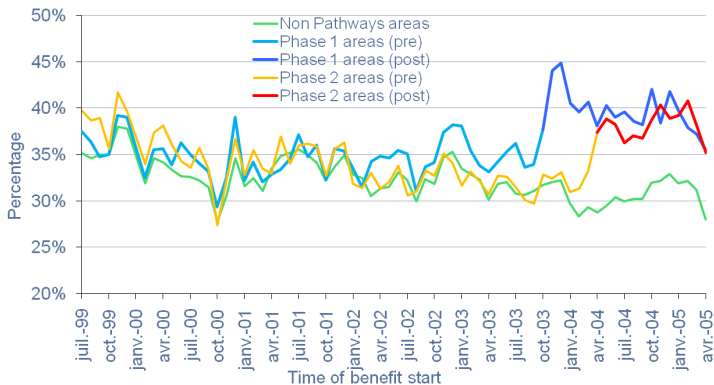


SOURCE : Adam et al. (2008)

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FIGURE 4: Outflow rate out of IB (6 month)



SOURCE : Adam et al. (2008)

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- **Evaluation Choice package**
 - Choice from IB recipients to participate or not
 - Very endogenous choice

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- **Evaluation Choice package**
 - Choice from IB recipients to participate or not
 - Very endogenous choice
- **Matching**
 - Extremely complete survey and administrative data
 - Propensity matching based on observables
 - Strong identifying assumptions

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- **Evaluation Choice package**
 - Choice from IB recipients to participate or not
 - Very endogenous choice
- **Matching**
 - Extremely complete survey and administrative data
 - Propensity matching based on observables
 - Strong identifying assumptions
- **No causal interpretation**
 - Adam, Emmerson and Bozio (2010)

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What lessons ?

- **The ingredients for good evaluations**
 - Good data collected
 - Design of the evaluation before the policy is introduced
 - Experimentation or piloting of the policy
 - Independent evaluation that makes the evaluation credible

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What lessons ?

- **The ingredients for good evaluations**
 - Good data collected
 - Design of the evaluation before the policy is introduced
 - Experimentation or piloting of the policy
 - Independent evaluation that makes the evaluation credible
- **The issues**
 - Impossible to evaluate choices component
 - Good data not enough to overcome identification issues
 - Impossible to distinguish the impact of components of the package

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- 1 Example of WFTC in the UK
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- **Evaluation of EITC and WFTC**
 - Similar policies in the UK and the US
 - Much more budget in the UK
 - Much smaller effect in the UK (Blundell and Hoynes, 2003)

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- **Evaluation of EITC and WFTC**
 - Similar policies in the UK and the US
 - Much more budget in the UK
 - Much smaller effect in the UK (Blundell and Hoynes, 2003)
- **How to explain the discrepancies ?**
 - Working tax credits are not unique benefits
 - In the UK, other benefits reduce massively the incentives of WFTC

Antoine Bozio

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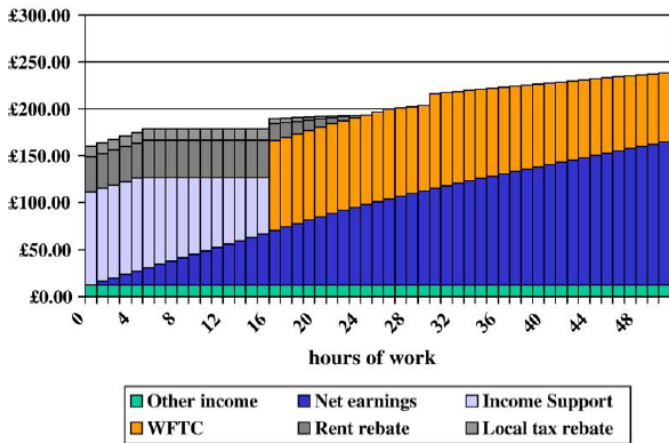
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FIGURE 5: UK benefit structure



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- **Policies interact**
 - One want to estimate the overall effects of policies
 - But ascribe to each part its true impact

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- **Policies interact**
 - One want to estimate the overall effects of policies
 - But ascribe to each part its true impact
- **Importance to understand mechanisms**
 - Impact evaluation is important
 - But more important is understanding mechanisms at play

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