## Institute for FUTURES STUDIES

# The more things change, the more they stay the same

*A follow up of participants in Social Fund financed projects*

*Research report 2014/5*

Magnus Bygren | Clara Lindblom | Ryszard Szulkin

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# Introduction

The Swedish ESF Council is the government agency that has been responsible for implementing and distributing funds for the Social Fund programme in Sweden during the 2007–2013 programme period. During this period, the agency has financed five thematic groups, which have had the task of charting and analysing Social Fund financed activities. Since February 2012, responsibility for the Thematic Group on Inclusion in Working Life (TIA) has been located at the Institute for Futures Studies, an independent research foundation. Among other things, the thematic group has published the report "Labour market policies against the odds" (Szulkin et al., 2014), which compares labour market outcomes for participants assigned to Social Fund projects via the Public Employment Service (Arbetsförmedlingen) with outcomes for job-seekers who have participated in the Public Employment Service's regular activities.

In this report, we go a step further by including all individuals who participated in a Social Fund financed project over the course of a period of three years, irrespective of whether they were assigned to the projects by the Public Employment Service, the Swedish Social Insurance Agency or a municipal social services administration. The objective is to attempt to estimate the effects of participation in a Social Fund financed project on the participants' chances of getting a job and their future incomes.

The report begins with a chapter that provides some background on the Swedish Social Fund programme, while Chapter 2 presents a review of previous research on local labour market policy and Social Fund financed activities. The report then discusses the requirements that must be met for a scientific evaluation to be able to produce a reliable estimate of the effects of participation in a given measure, and then moves on to present the report's data, variables and methodological considerations in Chapter 4. The following chapter then presents the results of a number of different types of comparison between participants in Social Fund projects and the control groups selected for analysis, as well as a number of sensitivity analyses. The final chapter summarises our results and discusses measures that the responsible agency might take in order to improve the opportunities for evaluating the activities of the Social Fund in a reliable way.

Finally, the authors of the report would particularly like to thank Erik Mellander, who has conducted a scientific review of the report and provided valuable feedback. We would also like to extend our thanks to Ragnar Bengtsson and Kenisha Russell Jonsson for their support with our programming and data processing work, Anders Stenberg for providing methodological advice, and Lennart Thörn of the Swedish ESF-Council, who has provided us with information about Social Fund financed activities. The responsibility for any remaining errors and shortcomings associated with the report is completely our own, however.

Chapter 2

*The European Social Fund*

# The European Social Fund in Sweden

The Social Fund has been used as a tool to bring about convergence in relation to social and economic disparities within the EU since the union was founded in 1957. During the 2007–2013 programme period, approximately 750 billion SEK have been assigned from the central budget to Social Fund financed measures in the member states, of which 6.2 billion were assigned to Sweden.[1] The fund's principal objective during this period has been to facilitate the work of member states to achieve the overarching objectives of the Union's employment policy, as expressed in the revised Lisbon Strategy adopted by the heads of state and government in March 2005. However, the concrete focus of the Social Fund financed activities implemented in each respective country is determined by the national parliaments in consultation with the EU-Commission (ESF, 2007; 2011).

The focus of Social Fund financed activities in Sweden is determined by the National Structural Fund Programme, which also states that the Swedish ESF-Council constitutes the state agency responsible for implementing the programme. The overarching goal of the Structural Fund Programme is improved growth, which is to be achieved by means of ensuring that required levels of skills are available and by increasing the supply of labour. At the same time, the programme emphasises that the regions will be given the opportunity to develop solutions for growth and employment on the basis of prevailing conditions at the regional level. Regional ESF-plans, which proceed on the basis of the Structural Fund Programme, are therefore to be formulated, and the administering agency has also been given the task of consulting with so-called Structural Fund Partnerships, which are comprised of regional actors, in connection with the application process for project funding and the selection of projects that are entitled to receive support (ESF, 2007).[2]

According to the Structural Fund Programme, the work conducted within the framework of the Social Fund Programme should in turn be divided between two programme areas, of which the first has the objective of improving the skills of those already in employment in order to reduce the risk of future unemployment. In the second programme area, the Social Fund is to finance projects that work to improve the chances

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1. One of the conditions for the disbursement of funds is that the member states contribute at least the same amount in the form of public sector co-funding. Thus the total budget for the Social Fund in Sweden during this period will amount to at least 12 billion SEK.

2. In accordance with the National Structural Fund Programme, structural fund partnerships have been formed within the area of each regional ESF-plan. During the programme period, these structural fund partnerships have had the task of determining the relative priority of applications for project funding within the framework of the National Structural Fund Programme. The administering agency has in turn been responsible for consulting with the affected structural fund partnership in connection with the selection of projects and for awarding funding in accordance with the prioritisation determined by the partnership body. The Structural Fund Programme states further that a partnership is to be comprised of elected representatives for the municipalities and county councils in the affected counties, as well as representatives of labour market organisations and of the relevant county administrative boards, interest organisations and associations (ESF, 2007).

of employment for individuals at a substantial distance from the labour market. In this context, measures focused on facilitating the integration of young people and persons born abroad into working life are to be given special priority. The objective is for the participants in the projects to receive individual support in order to enter and remain on the labour market, at the same time as their opportunities for paid employment on the basis of their own qualifications are improved. The measures in the respective programme areas should not only generate effects at the individual level, however, but should also contribute to both organisational and policy development within affected policy areas, structures and institutions (ESF, 2007; 2011).

## The Social Fund's quantified objectives

The National Structural Fund Programme specifies a number of criteria for the implementation of programmes and regional ESF-plans, of which at least one should be met for an applicant project to be awarded financing from the Fund. The projects may, for example, have the objective of promoting innovative activities, which are defined as methods that produce clear advantages in relation to regular, current activities in the area concerned. Another criterion is the promotion of cooperation between strategic actors, which is emphasised as a precondition for innovative work to be able to have an impact on regular activities. These criteria are thus intended to govern the selection of projects and to contribute to the achievement of the overarching goals of the respective programme areas (ESF, 2007).

Three quantified objectives are stated for programme area two, along with a number of indicators that are linked to these objectives. The first objective specifies the number of participants who must be included in the project activities, while the second specifies that at least 70 percent of participants, following their completion of the project, should have either found employment or should perceive their chances of getting a job to have improved. The third quantified objective focuses in turn on comparing Social Fund financed activities with the regular measures of the Swedish Public Employment Service. The proportion of project participants who are in work 90 days subsequent to the conclusion of the project should be at least ten percentage points higher than the result produced by the regular labour market policy measures of the Public Employment Service for the corresponding target groups. In this context, particular note is taken in the National Structural Fund Programme of two regular measures that are to be used as reference categories: Preparatory Training (PT) and the Special Recruitment Incentive (SRI) (ESF, 2007).

The Structural Fund Programme does not, however, motivate the choice of these reference categories, and questions may be raised as to the extent to which they are comparable with Social Fund financed activities. The Special Recruitment Incentive involves an employer who hires an individual who has been registered in the Job and Development Programme (JDP) receiving compensation in the amount of at most 85 percent of the employee's wage costs for a period of up to twelve months. Preparatory Training courses, on the other hand, primarily have the objective of preparing job-seekers

for participation in another labour market policy programme, such as labour market training. The objective of Preparatory Training is thus different from the objectives of the Social Fund financed projects, while the Special Recruitment Incentive belongs to a different category of labour market policy measures (Arbetsförmedlingen, 2011; 2012).

At the same time, it is worth noting that only two of the quantified objectives can be followed up in a reliable way, since estimates of changes in the participants' perceptions would require data of a kind that have not been collected during the programme period. Thus the objective which states that, following their participation in a project, at least 70 percent of the participants should either have obtained employment or should perceive their chances of getting a job to have improved, cannot be followed up in evaluations of the Social Fund Programme.[3] Sweco (2009:9 f.), who were awarded the tender to evaluate parts of the implementation of the Structural Fund Programme, have also criticised the formulation of both the quantified objectives and the national selection criteria. The evaluators have noted that the correspondence between the selection criteria and the objectives is poor, which by extension may limit the opportunities to select projects that contribute to the achievement of the programme objectives.

## Social Fund financed activities

Since the start of the programme period, the Swedish ESF-Council has awarded Social Fund financing to 515 projects in programme area two, but by contrast with earlier programme periods, the administering agency has not had complete responsibility for project selection. Prior to the current programme period, parts of the selection process were taken over by the structural fund partnerships in order to increase the level of regional influence over the implementation of the programme. Thus co-ordinators at the administering agency conduct a first assessment, in which project applications are examined in relation to current legislation and the national selection criteria. Approved applications are thereafter passed on to the relevant structural fund partnerships, which determine the relative priority of the project applications, and this prioritisation is then to be adhered to by the administering agency when it disburses funding (ESF, 2007; 2011; Sweco, 2008; 2009).

It can be seen from Szulkin et al. (2013:42 ff.) that the regional distribution of funding awarded by the Social Fund tends to follow the population distribution within the country as a whole. At the same time, the regional influence exerted on the project selection process contributes to producing regional variations in the characteristics of the projects awarded funding. In Stockholm, for example, the structural fund partnership has adopted a regional plan that among other things means that funding should be concen-

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3. The evaluation of project activities on the basis of this type of objective would require the collection of data via standardised questionnaires distributed to the participants in order to measure their subjective perceptions regarding their participation in the project. Experience from previous research shows, however, that response frequencies in the relevant target group tend to be very low if questionnaire data are collected following the conclusion of the project in question. It would therefore have been preferable to collect data by means of standardised questionnaires at the time of registration in an ESF-project, during the period when the participants were registered in the project, and at the conclusion of their participation. This has not been done, however, during the current programme period, for which reason it is not possible to assess the extent to which this particular objective has been achieved.

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trated to a small number of strategic initiatives. Thus the region has prioritised fewer projects in relation to the size of the population than is the case in the rest of the country, at the same time as the projects that have been awarded financing have received relatively large amounts of funding. The regions have also been given the opportunity to develop their own routines in relation to the organisation of the application process for Social Fund financing, the handling of applications and the forms taken by the collaboration with the administering agency, all of which might also contribute to regional variations in the selection of projects chosen for funding (Sweco, 2008).[4]

## The project owners

During the current programme period, a municipal actor has been the project owner for just over half of the projects that have been awarded funding within the framework of programme area two, which has been a subject of discussion in earlier evaluations of Social Fund financed activities. As early as during the initial phase of the programme period, for example, Sweco (2008) noted that project applications from municipalities, regional actors and government agencies pass the administering agency's examination with respect to existing legislation to a greater extent than others, and that these differences remain following the prioritisation assessments of the structural fund partnerships. The evaluators therefore called for improvements to the information available to those making applications and also for opportunities for dialogue with the administering agency regarding the formulation of applications in order to facilitate the application process for other categories of applicants, such as private sector businesses and voluntary organisations, which have together served as project owners in slightly over 20 percent of the projects financed by the Social Fund during the current programme period (Szulkin et al., 2013:43).

Szulkin et al. (2013:48 f.) note that the way the so-called co-funding system is constructed, and the system for payments of Social Fund financing may both constitute reasons for the high proportion of public sector actors found among the project owners. The co-funding system is viewed as producing rather weak financial incentives for project owners. At the same time, payments of funding are made retrospectively for incurred costs only once these have been presented in accounts. This means that the project owners must themselves have the necessary resources to maintain the project's liquidity while waiting for a decision on funding for the relevant period, which is likely to be more difficult for voluntary organisations and private sector actors than for public sector bodies.[5]

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4. The differences between the regions regarding the focus of the projects might also have other causes, such as differences in the application criteria that the administering agency, in consultation with the structural fund partnerships, has chosen to emphasise in connection with the funding application process. Further, the evaluation company Sweco (2009) has noted that the national selection criteria are ambiguously formulated, which contributes to a variation between the regions with regard to how these criteria are interpreted.

5. One common co-funding model involves the projects including the income provided to project participants, i.e. the payments made to participants by the Public Employment Service, the Social Insurance Agency or the municipal social services for participating in project activities. However, these projects can only receive funding for those days on which the participant participates in project activities. Thus the project's chances of obtaining funding for a specific participant disappear completely if the participant for some reason terminates his or her participation in the project (ESF, 2007; 2009).

The running of Social Fund financed projects by municipalities is in no way unique to the current programme period. Lundin (2008), for example, referred to the possibility of applying for Social Fund financing as a contributory factor to the expanded role that the municipalities appear to have acquired in the field of labour market policy since the mid-1990s. At the same time, the municipalities have a financial incentive to participate actively in labour market policy, since unemployment has a negative effect on municipal taxation revenues and can contribute to households leaving the municipality in order to seek employment elsewhere. Since the costs of welfare benefit provision are paid by the municipalities, there may also be reason for the municipalities to work to promote job-seekers becoming qualified for participation in measures that are in whole or in part funded by central government. Sweden's entry into the European Union opened up opportunities for municipalities and other local actors to apply for ESF funds in order to conduct local labour market projects. During the Fund's most recent programme period, local actors have been the project owners for a majority of the Swedish projects that have been implemented with Social Fund financing, whereas the government actors working in the field of labour market policy have only been responsible for a small number of projects.

## Participants in Social Fund projects

According to the National Structural Fund Programme, the target group for programme area two comprises individuals who have been full-time unemployed for at least one year, among whom, job-seekers of foreign background are to be prioritised. As has been mentioned earlier, Social Fund financed activities should also prioritise young people who are either in transition between education and work, or who have been job-seekers for at least three months. Individuals who have been on full- or part-time sick leave for at least six months are also mentioned among the prioritised target groups. According to the projects' own descriptions of their activities, 27 percent of the projects have not stated a specific target group for the project, but are rather focused on the long-term unemployed more generally. 25 percent of the projects state, however, that young people are a special priority, 22 percent refer to persons born abroad or individuals from a specific national minority who are at a substantial distance from the labour market, while ten percent state that they work in particular with the rehabilitation of individuals on long-term sick leave (Szulkin et al., 2013:43 ff; ESF, 2007:39).

The participants in the Social Fund financed projects have usually been assigned to the project by a case officer employed at the Public Employment Service, the Social Insurance Agency or the municipal social services. This referral may, for example, take place within the framework of the job-seeker's registration in the Public Employment Service's programmes for the long-term unemployed, the Job and Development Programme and the Youth Job Programme. In these cases, the Social Fund financed project assumes temporary responsibility for the activation of the job-seekers, even though they continue to maintain their contacts with their case officer at the Public Employment Service. The governmental Public Employment Service also retains the formal agency respon-

sibility for the job-seeker, and retains the right to make decisions as to whether the job-seekers may be assigned to a labour market training programme in connection with their participation in the Social Fund financed project (Arbetsförmedlingen, 2010:2; Riksrevisionen, 2009:22; Regeringens prop. 2006/2007:1).[6]

There is a lack of systematic knowledge regarding the grounds on which case officers assign individuals to Social Fund financed activities, however, as well as regarding the function of these referrals for the Public Employment Service's regular activities. When Szulkin et al. (2013) analysed the labour market outcomes of individuals who had been assigned to Social Fund projects by the Public Employment Service, they noted that there is a negative selection to these projects. Participants in Social Fund financed projects were characterised by worse labour market outcomes at follow-up following the completion of the projects than job-seekers in the Job and Development Pro-gramme who had participated in regular Public Employment Service activities. When unemployment history was taken into account, however, the differences between the groups were substantially reduced. This suggests that job-seekers who are assigned to Social Fund financed projects by the Public Employment Service are generally located at a greater distance from the labour market than job-seekers assigned to regular Public Employment Service activities. We do not know, however, whether the same is true for job-seekers who are assigned to Social Fund financed projects by other referring agen-cies (Szulkin et al., 2013:83).

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6. Thus in other words, to the extent that the projects do not themselves allocate resources to finance short-term occupational training programmes for their participants, the decision regarding a project participant's participation in labour market training programmes lies with the individual's case officer at the Public Employment Service.

# Chapter 3
## *Previous experiences of the Social Fund*

# Previous experiences of the Social Fund

Prior to the programme period, the European Commission stipulated that the structural fund programmes should be evaluated by means of so-called learning evaluation, which has meant that projects awarded funding by the Swedish ESF-Council have been required to procure an external evaluator to follow their activities throughout the project period. According to Svensson et al. (2013:86 f.) the choice of this evaluation approach means that experiences from the projects are continuously collected by the respective evaluators, who are also expected to provide feedback on their reflections to the actors responsible for the implementation of a given project. In this way, the evaluator is expected both to function as a support during the implementation of the project and to contribute to the development of a knowledge base on how work can be conducted within the framework of the Social Fund.

However, the administering agency has not systematically collated the information collected on the Social Fund financed projects to a sufficiently high degree. There have been no common guidelines to ensure that the learning evaluations produced in relation to the different projects are comparable, for example, and the evaluations have rarely been compiled in order to produce a more comprehensive picture of the Social Fund financed activities that have been implemented (Szulkin et al., 2013:83 ff.). One of the few exceptions can be found in Törnquist (2014), who analyses a sample of youth projects that have been awarded funding from the Social Fund during the current programme period. The report states that the objective of the projects often appears to be to provide the participating youths with some structure in their everyday lives, in order to then be able to prepare them for training programmes or work experience with an employer. Several of the evaluators also state that the projects have involved giving the participants more personal support than regular activities organised by the Public Employment Service and the municipalities had previously been able to provide. A majority of the evaluations examined state that the project participants have been satisfied with the activities, but the evaluations generally lack descriptions of the working methods that are supposed to have generated these perceptions. Further, the evaluations often have the character of isolated case studies.[7]

## Previous evaluations of Social Fund activities

Learning evaluations often have the character of qualitative case studies in which the implementation process of a single project or programme is described in detail. Qu-

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7. The publication series *Socialfonden i siffror* [The Social Fund in Figures] (2011), which has been published by the administering agency, also lacks descriptions of the content of the project activities, and primarily describes the participants and their personal characteristics in the form of sex, age, ethnicity and educational background (see, for example, ESF, 2011).

alitative case studies of individual projects may generate hypotheses about working methods that might serve to increase the chances of employment for project participants. In order to be able to draw general conclusions about project activities, however, a more systematic form of data collection and follow up is required, and a significantly larger number of projects need to be included in the sampling frame. Szulkin et al. (2013:60 ff.) employ a substantial data set from the Public Employment Service and compare individuals who have both been registered at the Public Employment Service and assigned to Social Fund financed projects with a group who had only participated in regular Public Employment Service measures. The advantage of this more large-scale approach is that it makes it possible to examine the extent to which the project participants make the transition into paid work by comparison with others registered at the Public Employment Service, while controlling for observable differences between the two groups. The analyses therefore provide a general picture of the participants' relative chances of obtaining employment, which is not the case in evaluations that only focus on individual projects (Szulkin et al., 2013:11).[8]

In their report, Szulkin et al. (2013:60 ff.) proceed on the basis of the quantified objective for programme area two of the Social Fund that states that the proportion of participants in employment 90 days after the conclusion of the project should be ten percentage points higher than the weighted result produced for participants in the Public Employment Service's regular activities within the corresponding target groups. The results indicate that the assessment of the extent to which this objective has been achieved is dependent on the type of regular Public Employment Service activity chosen as the reference point. If the comparison is based on regular Public Employment Service preparatory training activities, the Social Fund achieves the stated objective, but the size of the difference in outcomes in favour of the ESF-participants declines the longer the follow-up period examined and becomes substantially smaller if unsubsidised work is used as the outcome category. A comparison with participation in one of two the major Public Employment Service programmes, i.e. the Job and Development Programme and the Youth Job Programme, on the other hand, leads to a finding that the relevant objective for Social Fund activities is not achieved (Szulkin et al., 2013:82 f.).

One limitation associated with such effect evaluations is that there is a lack of reliable control groups for the participants in the Social Fund financed projects, a problem that has also been discussed in Giertz's (2004) study of local activation programmes in Malmö, for example. Szulkin et al. (2013:82 ff.) note that there may be differences between participants in ESF-projects and in the regular activities of the Public Employment Ser-

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8. The data set from the Public Employment service included 30,034 individuals who had been registered in 278 ESF-financed projects during the period 2008–2012. The outcomes noted for these individuals are compared with those of 902,678 individuals who had also been registered in a labour market policy programme at the Public Employment Service during the same period, but who had not participated in a Social Fund financed project. The outcome variable employed was employment in a broad sense, as defined by the Public Employment Service, which includes work without support, work with support and New Start jobs. The likelihood of employment has been estimated at 90 and 180 days subsequent to the conclusion of programme participation and at a final observation point. Controls have been included for among other things personal characteristics such as gender, age country of birth, registered disability, initial education level, type of education and a number of variables describing the individuals' unemployment history (Szulkin et al., 2013:61 ff.).

vice that are of significance for their opportunities to obtain employment but that cannot be measured or have not been noted in the Public Employment Service's registers. This problem cannot be resolved on the basis of existing statistical material, however, for which reason the authors of the report propose that some part of the money available within the Social Fund during the coming programme period should be used to finance well-defined pilot projects that can be evaluated using experimental designs.

## Evaluations of local labour market projects

Thus the available knowledge regarding the effects of Social Fund financed activities is limited. This is also true in relation to other labour market policy initiatives that are conducted at the local level however. According to a questionnaire survey conducted by the Swedish Association of Local Authorities and Regions (SKL), 94 percent of Swedish municipalities allocate specific budgetary funding to labour market measures. In turn, the association estimates that 118,000 job-seekers participated in municipal labour market measures during the course of 2012. This means that the municipalities play a significant role in the implementation of active labour market policy initiatives, even though their formal responsibility for this area of policy is limited (SKL, 2011; 2012:9 ff.).

One factor that has contributed to the lack of systematic knowledge appears in this case too to be the difficulty experienced by evaluators in obtaining access to reliable and comparable data. According to Salonen and Ulmestig (2004), there are shortcomings in the municipalities' insight into and following-up of their own labour market policy measures, which make research in this area more difficult. The few effect evaluations that have been conducted have often studied individual projects, such as Milton and Bergström (1998), who compare the so-called Uppsala Model with a district in the same city that did not work in accordance with the model, and Hallsten et al. (2002), who study a project for long-term unemployed immigrants in the Stockholm suburb of Rinkeby. One exception in this field is found in the work of Giertz (2004), who extends the sampling frame somewhat and studies eight local activation programmes organised by the City of Malmö. However, all of the studies mentioned here found very limited employment-related effects for the project participants.[9]

Similar results have been reported by Carling & Larsson (2005) and Forslund & Nordström Skans (2006), which are two examples of evaluations of local labour market initiatives that are based on more extensive register data. Both study the effects of participation in municipal youth programmes, which have since been replaced by the current Youth Job Programme under the aegis of the Public Employment Service. Forslund & Nordström Skans (2006) note positive effects on the likelihood of the par-

9. As has been noted by Dahlberg et al. (2013:7), these studies only examine the effects of participation in these projects, but do not take into consideration the fact that the activation measures might affect the inflow into welfare benefit recipiency. Persson and Vikman (2010), by contrast, studied the effects of the gradual introduction of activation measures in a number of districts in the City of Stockholm at the beginning of the 1990s and found effects on individuals who were not in receipt of welfare benefit. Entry into welfare benefit recipiency declined for individuals under the age of 26 at the same time as exit from welfare benefit recipiency was increased, primarily for single persons with no children. The total effects were judged to be relatively small, however, although certain groups where affected quite markedly by the underlying reform.

ticipants transitioning into regular studies, but otherwise the results for the municipal youth programmes were discouraging. One of the conclusions drawn was therefore that the decentralisation of labour market policy associated with the municipal youth programmes reduced the level of effectiveness regarding the likelihood of the participants making the transition to employment following the conclusion of the programme (Forslund & Nordström Skans, 2006:40)

A number of studies have also attempted to describe the contents of the municipal labour market policy measures. Salonen and Ulmestig (2004) sent structured questionnaires to all of Sweden's municipalities and found substantial variations in the forms adopted for municipal activation programmes for unemployed individuals receiving benefits. As a rule these activation programmes are small-scale affairs; approximately 70 percent of the projects have 24 registered participants or less. Further, project workers in these programmes emphasise that the activities are based on close personal contacts with the participants. The content is rarely clearly specified, but the programmes rather include a broad range of activities such as job-seeking activities, training initiatives, work experience and elements of treatment. Salonen and Ulmestig (2004:83 ff.) repeatedly emphasise the substantial variations between different municipalities and also question whether the activation programmes can actually be viewed as constituting labour market policy measures. Their objective often appears to be activation, social training and the maintenance of a daily routine rather than offering measures that will lead to employment on the regular labour market following the completion of the project.[10]

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10. There are also a number of qualitative studies focused on municipal labour market policy measures, which provide detailed descriptions of individual projects and of the perceptions of employees and in some cases also participants. Ekström (2005), for example, has evaluated the so-called Stockholm Model using qualitative interviews with coaches, social workers and participants at a local job centre in Stockholm. One of the study's conclusions is that there is a dissonance between the employees' description of the project's activities and the participants' perceptions of these activities. A majority of the participants interviewed in the study are critical of the project's activities, for example, which they argue do not provide them with the support that they need. A similar picture emerged when Dahlberg et al (2013:54) used questionnaire data to examine the support that participants at job centres in Stockholm perceived themselves to be receiving from coaches and social workers. A majority of the foreign-born participants perceived the activities in which they were participating to be poor, and felt that they would rather have been participating in occupationally focused work experience, training or additional lessons in Swedish. The participants who stated that they were in close contact with their coaches had a more positive view of the activities of the job centres however. For further descriptions of municipal labour market policy measures, see for example, Karlsson and Jegermalm (1996), Hjertner Thorén (2003).

Chapter 4

*Measuring the effects of active labour market policy*

# Measuring the effects of active labour market policy

The term active labour market policy refers to measures that have the objective of making it easier for individuals to move from unemployment into work, education or training. This may, for example, involve job-placement activities, various types of labour market training programmes, work experience or subsidising employment. Thus it is easy to define the overarching objective of active labour market policy. Analysing whether the policy that is actually implemented is effectively serving its purpose is considerably more difficult, however. This chapter describes a range of different evaluation methods and their respective limitations, and the discussion could further be applied to evaluations of all types of social programmes whose objective is to change the participants' living conditions in some way.

## Experimental effect evaluation

When an individual has participated in a labour market policy measure, the initial and outcome values regarding the individual's labour market status are usually known. It may therefore appear natural to assume that the difference between the outcome and initial values is a consequence of the measure that the individual has participated in and to assess the effect of the measure on the basis of the number of individuals who have moved on from the measure and transitioned into work or education. Attempting to assess the effectiveness of measures in this way can easily lead to incorrect conclusions, however. This is due to the fact that the outcome of a given measure is virtually never exclusively due to the content of the measure itself. Personal characteristics among the participants and changed conditions in society that are not linked to the measure in any way may play a central role for the outcome. It is likely, for example, that job-seekers who participate voluntarily in a given measure are more motivated to find employment than job-seekers who do not themselves choose to participate. If this motivation also contributes to the first of the two groups looking for work more energetically than the latter, then it is possible that the effect of the measure will be overestimated. A shift in the economic cycle would constitute an example of a factor that is not linked to the measure in any way, but that may have a major influence on the likelihood that the participants will be able to find work.

Thus the objective of effect evaluations is to estimate the actual effect of a labour market policy measure. The causal question they ask is what would have happened to these individuals if they had not participated in the measure in question. Since it is not possible to observe the outcome of individuals' participation and non-participation simultaneously, it is necessary to find a reliable group with whom the participants can be compared. The method proposed by the majority of scholars involves randomly

assigning possible participants either to the labour market measure that is the object of the evaluation or to a control group. The random assignment of individuals to the experiment and control groups respectively means that the distribution of individual characteristics and experiences that may be of relevance to the study will be approximately equivalent at the group level. If the experiment group, following participation in the measure, transitions into work or regular study to a greater extent than the control group, this may be regarded as being a causal effect of participation in the specific measure examined (Card et al., 2010; Morgan & Winship, 2007 and Rinne, 2012).

*The strengths and limitations of experimental studies*
The difficulties associated with evaluating the effects of participation in Social Fund financed activities may serve as an example of the benefits of this type of experimental evaluation design. The participants in programme area two are usually assigned to the projects by a case officer working at the Public Employment Service, the Social Insurance Agency or a municipal social services administration. The background to being assigned to the projects may of course vary, but there is reason to suppose that these case officers more often assign individuals who are located at a substantial distance from the labour market to Social Fund financed projects than to regular activities.[11] Part of the difference between the groups assigned to Social Fund projects and regular activities can be controlled for in statistical analyses, but it is not possible to measure all of the individual characteristics that may be of significance for the individuals' likelihood of obtaining employment. It is possible, for example, that case officers base their assignment decisions on knowledge about the job-seekers' mental and physical health, motivation and language abilities, without this being registered in the data that is used as the basis for assessing the effects of a given measure. In other words, there is always a risk that evaluations will under- or overestimate the effect of the measure being studied.

Although evaluations based on an experimental design offer the most reliable means of measuring the effects of various measures, they are nonetheless associated with a number of limitations. The identification of positive effects in an experimental evaluation does not necessarily mean that these results can unreservedly be generalised to completely different contexts, since the effects of different measures may vary at different points in the economic cycle, or in relation to differences in the local business structure and the local labour market. The only means of finding out whether the results identified in one context can be generalised to others is to test the question empirically, which is of course also true for studies of a non-experimental nature (Calmfors et al., 2004).[12]

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11. A large proportion of these projects have a focus on providing social support, and the number of participants per project worker is limited, which might serve to increase the propensity of case officers to assign individuals who are assessed as having complex problems and as being in need of social support measures (Lindblom, 2014, forthcoming).

12. External validity, i.e. the extent to which a study's results can be generalised to other situations or populations, is often more unsatisfactory in connection with laboratory experiments than in connection with field experiments (Jackson & Cox 2013) In a field experiment, it is possible to draw random samples from the relevant population and then randomly distribute the sample between the control and experiment group. If this is possible in practice, then the usual rules for statistical inference apply.

Another objection is the fact that, in many contexts, randomised studies are not possible for practical reasons. Extensive experimental studies may quite simply be too expensive and take too much time to be feasible. Randomly deciding whether or not an individual is allowed to participate in a project when the potential participants expect their participation to produce positive effects may also show itself to be problematic for ethical reasons.[13]

## The formulation of measures and initiatives

It is considerably easier to sustain an experimental design in a laboratory than in a study that has the character of a field experiment (Jackson & Cox, 2013). The difficulties associated with the planning and implementation of field experiments do not however mean that well-defined treatments/methods and their effects cannot be studied using experimental designs, although these practical problems may limit the evaluations to pilot projects that may then result in policy recommendations regarding the introduction of reforms or more extensive programmes of measures.

Another question is that of how projects should be designed in order to allow for the conduct of reliable evaluations. Experimental evaluations are relatively unproblematic when the treatment involved is a simple one. The experiment group is simply given the treatment, while the control group is left untreated. The treatments that are evaluated are often of a more complex nature, however, and comprise different components to which participants are exposed to a varying extent. In such cases, it is no longer relevant to distinguish a single type of treatment and to randomly assign individuals to treatment and control groups. Instead it is often necessary to ensure that all combinations of treatments are represented in the evaluation design. If the objective is to study the effect of several treatments and of combinations of these treatments, however, the number of possible designs increases rapidly (Jackson & Cox, 2013).[14]

### *The importance of information about project contents*
Experimental evaluations require that the project to be studied is carefully planned and formulated. In practice, however, the evaluator is often brought in at a much later stage, when the project is already being implemented or has already been concluded. It is therefore very important that information on the content of the project's activities has been continuously collected and systematically compiled by those responsible for the project. This may be achieved by ensuring that the notes made by project workers in the internal administrative databases are comparable and can be transformed into

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13. These ethical considerations are primarily relevant in those situations where the control groups does not receive any form of treatment at all. In the case of the study of Social Fund activities, however, where participants are assigned to projects from the Public Employment Service, this criticism is not relevant. Randomly assigning individuals to regular Public Employment Service activities or ESF-projects in order to analyse which of these activities is more effective would thus appear to be unproblematic from an ethical perspective.

14. If, for example, one is interested in the effectiveness of three different types of treatment, and wishes to test whether one of these produces the best results over the short and mid-term, there are six relevant combinations (3*2). Within the framework of active labour market policy, this type of situation would arise if there was a desire to use experimental studies to analyse the effects of job-seeker courses, individual guidance and work experience. The number of possible combinations (including the situation where all three methods are studied simultaneously) would in this case be seven.

statistical data about the contents of the project, as is the case with the incident database maintained by the Public Employment Service. The variation between different measures regarding treatment methods, staffing levels, staff competence and available resources should also be measured in a systematic fashion.

It is clear from Szulkin et al. (2013) that the Social Fund does not fulfil these requirements regarding the documentation of project content. Szulkin et al's study wrestles with the lack of information regarding both the activities and the focus of the Social Fund financed projects that are compared with the regular activities provided by the Public Employment Service. Further, there is only limited knowledge regarding the way case officers assign participants to the Social Fund projects, since there are no transparent criteria for participation in these projects. This makes it more difficult to interpret results, and also limits the opportunities for learning from the types of projects that show positive effects by comparison with regular Public Employment Service activities.

*The advantages and disadvantages of different evaluation designs*
The figure below presents the full-scale experiment (Cell A), in which the measure has been manipulated by the evaluator in advance and where the participants have been randomly assigned to the experiment and control group respectively. The situation described in Cell B is one where the evaluator does not manipulate the measure and instead observes the characteristics of the project activities after the event, but where the participants have nonetheless been assigned randomly.

|  | | **Random assignment of participants to experiment and control groups** | |
|---|---|---|---|
|  |  | Yes | No |
| **Manipulation of/control** | Yes | A | C |
| **over design of measure** | No | B | D |

A = Full scale experiment

B = Information on the measure is collected retrospectively. Weakness by comparison with A: Unobserved/unobservable heterogeneity (differences) between the measures means that it is difficult to say w*hat* it is that causes possible effects.

C = Weakness by comparison with A: Unobserved selection of participants into the measures may bias the estimation of effects.

D = Unobserved/unobservable heterogeneity (differences) between the measures and unobserved selection of participants into the measures may mean both bias in the estimation of effects and that it is difficult to say w*hat* it is that causes possible effects.

A number of experimental evaluations of labour market policy initiatives have been conducted in Sweden over recent years, although the approach is considerably more common in the field of medical research, for example. One example is found in the evaluation of a trial project focused on certain recent immigrants, which studied the effect of working methods that might be applied in connection with the so-called Establishment Reform (Andersson Joona & Nekby, 2012).[15] The trial project was introduced in October 2006 in a number of municipalities in the counties of Kronoberg, Skåne and Stockholm. The objective was to test whether more intensive counselling and coaching improved the chances of obtaining employment among newly arrived immigrants who participate in introduction programmes. The case officers at the offices of the Public Employment Service in the participating municipalities randomly assigned newly arrived immigrants to treatment and control groups, with the treatment group being given intensive coaching while the control group participated in the regular introduction programmes. The results of the evaluation show that there was a positive programme effect on the likelihood of obtaining unsubsidised work for those who had participated in the trial project, but that the length of time taken to obtain an unsubsidised job was not reduced. The project did, however, contribute both to more individuals moving on to labour market training programmes by comparison with the control group, and to a reduction in the length of time taken to transition into labour market training programmes.

Another example of an effect evaluation employing an experimental design is that of Hägglund (2009), who studied a number of trial projects employing intensified job-placement measures that were conducted at employment service offices in Jämtland, Uppsala, Östergötland and Skellefteå. The sample for the trial project was random, and the results of the experiment were generally positive. In four of the five trials, the outflow into employment increased, and in three of them the participants' employment incomes were significantly affected over the course of subsequent years. The study also showed that job-seeker activities, such as individual guidance counselling and outreach measures focused on employers, in combination with an increased control of the participants' job-seeking activities, generated better outcomes than increased controls alone.

In all situations, it is possible to employ a before-and-after design in which the evaluator follows both participants and non-participants prior to the participants' participation in the studied measure as well as during and subsequent to their participation. However, one important assumption for the possibility of drawing causal conclusions based on possible differences in labour market outcomes between the groups is that all factors other than participation in the studied measure would have the same effect on the outcomes of the experiment and control groups respectively. An assumption of this kind is easier to defend in cases A and B than in cases C and D.

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15. The Establishment Reform came into force with the Act (2010:197) on Establishment Measures for Certain Recent Immigrants, and had the objective of facilitating the establishment of newly arrived immigrants in Sweden. The reform means, among other things, that the Public Employment Service took over the co-ordinating responsibility for the establishment of recent immigrants from the municipalities.

*Alternatives to experimental studies*

It is very common in the context of evaluations that the groups of participants have not been created on the basis of clear participation criteria and also that the projects have not been designed in a way that produces well-defined differences between the methods employed in the different types of activity to be examined.

One study design that is therefore often used to study differences in labour market outcomes (or other types of outcome that constitute the focus for a given study) between a group that has participated in a certain measure and a group that has not participated is the so-called "difference-in-differences" design. The central approach employed in these studies is that of calculating the difference in outcomes between the two groups both prior to and subsequent to the implementation of the measure in question. If the difference is only measured once, subsequent to the implementation of the measure, this may produce biased results, since the estimate will reflect not only the true effect of the measure itself but also a possible effect of the groups having been different prior to their participation in the project in focus. When the difference in the relevant outcome subsequent to the implementation of the project is compared with the difference between the two groups prior to the project, the difference in differences produces a reliable estimation of the effect of the measure itself, provided that the difference between the groups would have remained the same over time if the measure had not been implemented (Card et al., 2011; Persson & Vikman, 2010).

In cases where the control group is created subsequent to the initiation of a measure, it is very important that the criteria governing the selection of individuals are simple and transparent. The central principal is that the control group should as far as possible be equivalent to the experiment group with regard to relevant individual characteristics and experiences. In connection with evaluations of labour market policy measures, it is important to take previous employment, unemployment and work incomes into account. The literature describes a number of methods for creating retrospective comparison groups. One such method involves comparing relevant outcomes for people with the same individual characteristics, who live in the same area and are entitled to participate in the project under study, but who for various reasons have not done so. In order to be able to interpret difference-in-differences estimates as causal effects of project participation, other factors that are subject to change over time must affect both groups in the same way. It is important, for example, that there is no reason to believe that shifts in the economic cycle during the period examined will have affected one of the groups to a greater extent than the other.[16]

One example of a study that has employed this method (and that would be placed in Cell D in the figure) is that by Dahlberg et al. (2008), which analyses the effects of the introduction of activation requirements at the social services in the City of Stockholm.

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16. Card (1990) represents a classic study based on the difference-in-differences method. Card studied the effect of a very rapid increase in the number of Cuban immigrants in Miami on the unemployment and wages of the native population. The control group comprised similar individuals from four American cities characterised by similar economic conditions but that had not experienced rapid immigration.

The activation requirements meant that welfare benefit recipients who were assessed to be able to be available for employment were referred to a Job-Centre at which they participated in three hours of scheduled activities every day. The study found positive effects of the activation requirements in the form of lower welfare benefit recipiency and higher employment. The positive effects were greatest for young men aged between 18 and 25 and for individuals born in non-western countries. The reform was introduced at different times in different city districts, which made it possible to distinguish the effects of the measure from the effects of other reforms and relevant factors that were changed at the same time. In this case, the treatment group comprised welfare benefit recipients in city districts that had introduced the activation requirements, while the comparison group was comprised of welfare benefit recipients in districts that had as yet not introduced the reform.

Edmark et al. (2012) faced greater difficulties when they employed the difference-in-differences method in order to evaluate the effects of the first two stages of the so-called Earned Income Tax Credit (jobbskatteavdraget), which was introduced with objective of increasing the labour supply.[17] Since all those in employment are entitled to the EITC, it is not possible to determine what would have happened to the employment situation if the reform had not been implemented. The study exploits the fact that individuals received different amounts of tax credits depending on where they lived and their previous income. It can be noted, however, that the study's results do not estimate the effect of the EITC in a reliable way, since the general nature of the reform produced a very limited degree of variance between the individuals studied, at the same time as complex employment trends prior and subsequent to the introduction of the reform serve to complicate the picture. It would have been easier to evaluate the reform if it had been introduced in stages for different segments of the population.

## Concluding remarks

In the empirical analysis presented below, we employ two types of methods. The method that may be assumed to be able to produce the most credible estimates of the effects of participation in a Social Fund financed project lie closest to Cell D in the above figure. This is the case because the groups have not been created by means of random assignment and the design of the projects has not been formulated in order to facilitate a quantitative effect evaluation. In other words, the obvious limitation in our analysis is that there is little systematised knowledge regarding the contents of the projects under study. In addition, the assignment of participants to the projects has been implemented in a way that may mean that there are unobserved differences between the groups that may be of significance for the group members' chances of obtaining employment.

As we note in the next chapter, the problems associated with the available data also mean that we do not know very much about the activities of the comparison group

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17. The first stage of this tax credit for employment incomes was introduced on January 1, 2007 and involved a general tax reduction for those in paid employment. The tax credit was then also increased in a second stage on January 1, 2008. See also Riksrevisionen (2009:20).

during the period examined. At the same time, the participants in the Social Fund financed projects and the comparison group are both highly negatively selected groups with regard to e.g. their experiences of unemployment. This makes it reasonable to assume that during the study period, a relatively large proportion of the comparison group will have participated in regular activities organised by the Public Employment Service, the municipalities or the Social Insurance Agency. However, we lack information about the nature of the measures in question, and about how many of the members of the comparison group have not participated in any kind of measure.

# Chapter 5

## *Methodological considerations, data and variables*

# Methodological considerations, data and variables

We analyse the effects of participation in Social Fund financed activities by means of before-and-after comparisons of participating individuals' employment and incomes in relation to both the rest of the adult population and a group of non-participants who are very similar to the ESF-group in terms of their labour market participation and other personal characteristics. In separate analyses based on a similar approach, we also study the group of young people aged between 16 and 30 and their likelihood of moving from the group who are neither in employment or education into either studies or employment.

Since none of the groups mentioned above have been produced by means of random assignment, there may be important characteristics that have not been observed and that are not observable, but that may differ between the groups we will be comparing. Characteristics such as motivation, social skills, language ability and access to social networks may be important to future chances of obtaining work and to future income levels. The type of analysis presented here cannot definitively ascertain whether any remaining differences in the outcome variables between the ESF-group and the reference group are a result of the contents of the Social Fund financed activities, or whether they are rather due to differences between the groups in unobserved characteristics. What we are able to describe is the size of the difference between the ESF-participants and the comparison group that remains once we have controlled for the group differences that we have been able to observe.

Another limitation associated with the analysis is that we lack information on the extent to which the individuals in the comparison groups have participated in some form of measure during the period examined. Earlier sections of the report have described the existing knowledge regarding the contents of municipal labour market initiatives, which are usually focused on job-seekers who are receiving welfare benefit payments and who are for some reason not qualified to participate in the regular measures organised by the Public Employment Service. However, the database on which this report is based contains no information on the extent to which individuals have participated in measures organised by either the municipalities or the Social Insurance Agency. In other words, we are comparing individuals who have participated in an ESF-project with individuals who may potentially have participated in a large number of different measures, or who may not have participated in any measures at all.

## Analytical methods

ESF-participants are on average less well-equipped for labour market participation than the rest of the population. They have a shorter educational career behind them,

are relatively young and include a higher proportion of persons who were either born abroad themselves or are the children of persons born abroad.[18] The ESF-participants are also generally characterised by a lower level of employment, more experience of unemployment and lower wages than the rest of the population (see Table A1 in the Appendix). A simple comparison of employment and incomes between the ESF-group and the rest of the population therefore identifies worse outcomes for the ESF-group, both prior to and subsequent to participation in a project. This does not mean that participation has a negative effect on employment and incomes, since for a relatively marginalised group, participation may lead to their coming closer to the labour market status of the rest of the population. In order to be able to make more reliable statements about the possible effects of the ESF-projects on labour market participation, we must therefore employ statistical methods to control for the fact that the initial situation of the ESF-group is very different from that of the rest of the population.

Regression analysis is the technique that is most commonly used to accomplish this. In regression analysis, the variance in one or more independent variables is used to explain the variance in a dependent variable. If, as in our case, the focus is directed at identifying the effect of participation in a project, it becomes possible to utilise the variance in participation and then to estimate the difference in the mean of the dependant variable between participants and non-participants. This is equivalent to estimating a regression model in which ESF-participation (yes/no) is specified as the only independent variable.

If one wishes to remove the effect of the covariance between other variables and participation and the dependant variable, these other variables can be included in an expanded model. The effect of participation is then estimated with statistical controls for these variables. One important assumption is however required to conclude that the effect is causal in nature and is only an effect of participation, namely that the selection into participation is based on the information that is included in the model's control variables. Thus the selection into ESF-financed projects must be based on the variables on which our data set includes information, i.e. easily observable individual characteristics such as labour market participation, income, education, country of birth, gender, time spent in Sweden and district of residence. Since there is reason to believe that ESF-participants are selected on the basis of other types of information than those included in our data, we might question whether the estimated effect should actually be viewed as causal. Other factors such as motivation, earlier ill-health, substance abuse or chance factors that make labour market participation more difficult at the individual level may also be weighed into the decision on whether to assign an individual to an ESF-financed project, and the effect of such factors may naturally influence the estimated effect of participation. As a result of precisely such factors, questions have been raised about the appropriateness of using regression analysis in connection with effect analyses. The use of the method is particularly problematic in cases where a highly selected experi-

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18. Persons born abroad are defined as those who have migrated to Sweden and (both of) whose parents were not born in Sweden.

ment group is to be compared with a normal population, i.e. when there is only a limited overlap between the groups examined on the variables that are employed as statistical controls (Van der Klaauw, 2014). In our initial analyses, we employ the regression technique in order to provide a simple description of the data with and without the inclusion of control variables.

In order to move closer to a causal explanation of the estimated effect of participation in ESF-projects, we employ a so-called difference-in-differences analytical technique in combination with matching. Through this matching process, we create a control group whereby every individual who has participated in an ESF-project is assigned a number of "twins" whose characteristics and labour market history during the years prior to the ESF-participant's participation in an ESF-project are similar (or identical). The idea has been to find a group that shares the experiences of the ESF-group, and who could have become participants in ESF-financed projects, but didn't.[19] In the analysis, we follow up the outcomes for these groups during the years before and after participation in an ESF-project. The estimate of the effect of participation is defined as:

$$(Y_{ESF\text{-}group,\ after} - Y_{ESF\text{-}group,\ before}) - (Y_{Control\ group,\ after} - Y_{Control\ group,\ before})$$

$Y$ is the mean value of the dependent variable (employment/income/studies) for the relevant group and observation point. This approach may be viewed as constituting the most rigorous analysis of the effects of ESF-participation. The assumption that is required in order to be able to interpret the estimated effect as causal is that the group difference in $Y$ would have been constant over time in the absence of assignments to ESF-projects.[20]

## Data

The data employed in the empirical analyses relate to the period 2004–2011. The data include all individuals who had participated in an ESF-project during the period 2008–2010 and a 20 percent sample of all individuals aged between 16 and 64 and resident in Sweden. The database employed is named STATIV and comprises a collection of administrative registers compiled by Statistics Sweden (SCB). This database has then also been combined with information on which individuals have participated in an ESF-pro-

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19. The control group has been created on the basis of a statistical model that estimates the likelihood of participation in an ESF-project on the basis of various observed characteristics measured prior to ESF-participation. The approach is often used in connection with estimates of the effects of participation in a programme/project when assignments to control and experiment groups are not made on the basis of a randomised procedure. In our analyses, we have employed the "psmatch2" module in Stata 13. We have employed logistic regression in order to estimate the likelihood of participation in an ESF-project.

20. The use of the matching procedure does not resolve the problems of selection based on unobserved (or unobservable) characteristics. The use of matching is however preferable to regression analysis, when the group under study is highly selected on certain variables, i.e. when there is little overlap between the studied groups in relation to so-called covariates, which is the case in our analyses. In addition, regression analysis is dependent on restrictive assumptions regarding the form of the mathematical function employed, which is not the case with regard to the matching process (Van der Klaauw, 2014).

ject and the date of their participation.[21] During the 2008–2013[22] programme period, a total of 90,455 individuals participated in an ESF-financed project. Of these, 6,507 have participated in more than one project. The STATIV-database is updated annually, but the most recent update related to the year 2011. In other words, our data cover only the first four years of the 2008–2013 ESF-programme period, and are for this reason limited to 41,563 participants, which corresponds to 46 percent of the total number of participants during the programme period.

Our analytical strategy is based on studying empirical outcomes subsequent to an individual's entry into an ESF-project. For 19,900 individuals who started to participate in an ESF-project during the course of 2010, we can only examine outcomes one year subsequent to the start of the project, since the data only cover the period up to 2011. For 15,879 individuals whose participation in an ESF-project started in 2009, we are able to analyse employment and work incomes both one and two years subsequent to their starting the projects. Finally, for the relatively small group of 5,814 individuals who participated in an ESF-project during the first year of the programme period, 2008, we can also analyse individual outcomes three years after the start of their project participation. Thus longer term effects can only be examined for a small proportion of the participants. However, by contrast with our earlier analyses (Szulkin et al., 2013) we are able to include all types of project during this period, and not only those projects to which participants were assigned by the Public Employment Service.

## Dependent variables

The outcome we are interested in is the extent to which participants in ESF-financed projects improved their chances of obtaining work and their employment incomes subsequent to project participation. For the group of 16–30-year-olds, we also analyse transitions into studies. The ESF-participants' employment and incomes are compared with those of individuals who have not participated in ESF-financed projects. We follow both these groups prior to, during and subsequent to the ESF-participants' project participation.

The focus of our analyses is directed at three dependent variables: employment, work income and studies. We measure all of these variables during a period of up to four years prior to the point at which participation in an ESF-project started, and up to three years subsequent to this point. Employment is a dichotomous variable, with the value zero representing a lack of income from work and the value one indicating that the individual has had some work income during the year in question. We have translated income from work into a ranked position, i.e. an individual's position in the total distribution of the incomes of the population as a whole for a given year. This means that the results

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21. The database has been developed by Statistics Sweden (SCB) together with the Swedish Integration Board in order to serve as a basis for illustrating the state and development of various areas of society from an integration policy perspective. There is a group of 5,545 individuals who have participated in an ESF-project and whose personal identity numbers are subject to confidentiality restrictions. This makes it impossible to combine information on participation in ESF-projects with other data from the STATIV-register for this group.

22. The project period ran from 2007 to 2013. The first project participants entered their respective projects in 2008.

are not affected by changes in real income levels, the income distribution or the effects of inflation across the years examined. Participation in studies is defined as registration/attendance at different types of educational institution during the autumn term of the year in question.[23]

## Independent variables

For each individual, the data include information on among other things gender, country of birth, the number of years the individual has been resident in Sweden, highest level of education, the municipality in which the individual lives, employment status, experience of unemployment, work income and income from business activities. One of the advantages associated with the data set is that is has the character of panel data and may be used to study changes in individuals' labour market participation over a relatively long period of time.

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23. The variable includes registration /attendance at upper secondary school, municipal adult education, courses at universities or colleges of higher education, advanced vocational education, folk high school, studies abroad and labour market training programmes. Labour market training programmes are included in the definition despite the fact that decisions on participation in such programmes are made by the Public Employment Service. The reason is that these programmes are often focused on improving human capital and providing qualifications of relevance for employment opportunities. Labour market training programmes are thus highly relevant to our analyses.

# Chapter 6
## *Results*

# Results

This chapter presents analyses in which participants in Social Fund financed projects are compared with a statistically produced control group. Differences in outcomes between the two groups are measured at different points in time, and on the basis of follow-up periods of varying lengths. In addition, separate analyses are conducted for individuals born abroad and their children. The outcomes examined are the proportion of individuals in the two groups who have received incomes from employment and self-employment, and how the project participants' incomes have changed over time by comparison with those of the control group. In a special section of the results presentation, we also examine the extent to which young participants make the transition into paid work and regular studies respectively.

## The likelihood of being in employment

Table 1 presents the probability of having a job following participation in an ESF-project. Models 1–3 estimate the difference in the mean likelihood of having a job one year after entering an ESF-project. Model 1 presents the difference in the unconditional probability between the ESF-participants and the rest of the adult population (the reference group). This means that all ESF-participants who entered their projects during the period 2008–2010 are included in the analysis.[24]

The analysis also includes estimates of the probabilities of having a job one to three years prior to entering an ESF-project. By comparison with the reference group, the unconditional probability of having a job among the ESF-participants follows a negative trend over the years prior to their participation in the ESF-projects (Model 1). Three years prior to project entry, the likelihood of having a job among the ESF-group members is 50 percentage points lower than the corresponding likelihood in the population as a whole. The trend over time is negative for the ESF-group. In the year prior to project participation, the difference between the groups had increased to 56 percentage points, and then to 57 percentage points in the year of project entry. A substantial relative improvement can be noted during the year subsequent to entering the ESF-projects. At this time, the likelihood of having a job among the ESF-participants is approximately 43 percentage points lower than the corresponding likelihood among the remainder of the population, which represents an improvement of 14 percentage points in relation to the previous year.

As can be seen from the Appendix (Table A1), there is a negative selection to the group of ESF-participants on a number of variables that are central to the analysis. The picture therefore changes substantially when the individuals' level of education, gen-

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24. The reason for excluding participation during the period 2011–2013 from the analysis is that 2011 is the final year of the observation period, and is thus the final year in which outcomes are measured.

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**Table 1. Mean probability of having a job prior to and subsequent to entry into ESF-projects.**
Linear probability models. The estimates state the percentage "risk" of having a job by comparison with the remainder of the adult population (the reference group). By observation point and control variables.

| Years prior to/after entry into ESF-projects | Follow-up 1 year after project entry | | | Follow-up up to 2 years after project entry | | |
|---|---|---|---|---|---|---|
| | Model 1 | Model 2 | Model 3 | Model 4 | Model 5 | Model 6 |
| | | | | | | |
| 3 years prior to entry | -50,9** | -33,4** | -8,2** | -51,2** | -33,3** | -8,4** |
| 2 years prior to entry | -51,0** | -34,4** | -9,6** | -50,2** | -33,2** | -8,4** |
| 1 year prior to entry | -56,0** | -41,3** | -16,0** | -52,9** | -37,9** | -13,2** |
| Year of project entry | -57,1** | -44,7** | -15,4** | -59,1** | -46,6** | -19,3** |
| 1 year after entry | -43,3** | -32,0** | -1,4** | -45,7** | -34,3** | -2,8** |
| 2 years after entry | | | | -36,3** | -25,9** | -0,2 |
| | | | | | | |
| **Controls included for** | | | | | | |
| Individual characteristics and district of residence† | No | Yes | Yes | No | Yes | Yes |
| Unemployment and employment history | No | No | Yes | No | No | Yes |
| Constant | 71,8** | 62,5** | 13,1** | 72,1** | 62,4** | 13,0** |
| Proportion of variance explained | 0,030 | 0,191 | 0,629 | 0,018 | 0,182 | 0,627 |

* Significance level: *p <.05; **p <.01
† Level of education, gender, country of birth, length of residence in Sweden

der, country of birth, time spent in Sweden and district of residence are included in the second stage of the analysis (Model 2). Here the difference between the groups in the likelihood of having a job is 33 percentage points three years prior to the ESF-participants' entry into a project. This increases to 45 percentage points during the year in which the ESF-participants begin their project participation and then declines to 32 percentage points in the year subsequent to their having entered a project. The conclusion drawn from a comparison between Models 1 and 2 is that the composition of the group of ESF-participants with regard to certain central characteristics is of relatively major significance for the substantial differences in labour market participation noted between the groups examined.

In the next stage of the analysis (Model 3), we add a number of indicators of the individuals' labour market history. These indicators measure employment and unemployment during the period three years prior to the year in which the ESF-participants entered the projects. Here the results change substantially. The difference between the groups in the likelihood of having a job prior to the ESF-participants entering a project increases during this period from 8 to approximately 15 percentage points. In the year following the ESF-participants entry into a project, the difference between the ESF-participants and the reference group is almost negligible.

The initial (unconditional) difference between the ESF-group and the rest of the population thus disappears almost completely when differences between the groups in individual characteristics and labour market history are taken into consideration. The conclusion is thus once again that there is a powerful negative selection into the group of ESF-participants on these factors, which explains the substantial difference in the labour market situation of the two groups. In the year subsequent to entry into an ESF-project, the conditional likelihood of having a job is approximately one percentage point lower among the ESF-participants.

Models 4–6 examine the differences between the ESF-group and the reference group one and two years subsequent to the ESF-participants' entry into the projects.[25] The analyses are organised in the same way as those in Models 1–3. The results for the period prior to entry into the ESF-projects are very similar to those presented in Models 1–3. The unconditional probability of having a job (Model 4) declines for the ESF-group up until the year in which they start the projects. In the year subsequent to entering into the projects, their situation improves markedly. Two years after project entry there is a further improvement of almost ten percentage points. The difference in the mean likelihood of having a job between the ESF-group and the reference group lies at approximately 46 percentage points in the year subsequent to project entry, and at 36 percentage points two years after project entry.

The difference between the groups declines substantially when the individual characteristics are included in the analysis (Model 5). In the final analysis (Model 6), where controls are also included for the individuals' labour market history, the outcomes for the period subsequent to ESF-participation are relatively similar for the ESF-group and the reference group. One year subsequent to project entry, the probability of having a job is approximately 3 percentage points lower in the ESF-group, and two years after project entry there is no longer any difference between the groups.[26]

25. Focusing on the probability of having a job two years subsequent to entry into an ESF-project means that the analysis is limited to those ESF-participants who entered their projects in 2008 or 2009.

26. In a number of regression analyses that are not presented here, we also included indicators of income and participation in rehabilitation measures as independent variables. The introduction of more extensive controls in our models does not lead to any change in our central conclusions.

## The participants' work incomes

Table 2 presents results from analyses focused on income. As has been mentioned above, we employ the individuals' ranking positions within the population's income distribution for each year in order to avoid the results being affected by year-on-year changes in income levels, the income distribution or the effects of inflation. The analysis is conducted in the same stages as that presented above. Models 1–3 present the results one year subsequent to entry into ESF-projects, while Models 4–6 present the results both one and two years subsequent to project entry.

**Table 2. Mean income percentile prior to and subsequent to entry into ESF-projects.**
Linear regression analyses. Estimates state the deviation of the mean income percentile for the ESF-group relative to that of the remainder of the adult population (the reference group). By observation point and control variables.

| Years prior to/after entry into ESF-projects | Follow-up 1 year after project entry | | | Follow-up up to 2 years after project entry | | |
| --- | --- | --- | --- | --- | --- | --- |
| | Model 1 | Model 2 | Model 3 | Model 4 | Model 5 | Model 6 |
| | | | | | | |
| 3 years prior to entry | -33,5** | -20,1** | -3,2** | -33,9** | -20,0** | -3,5** |
| 2 years prior to entry | -33,6** | -20,7** | -3,2** | -33,8** | -20,3** | -2,9** |
| 1 year prior to entry | -35,3** | -23,3** | -4,9** | -34,5** | -22,0** | -3,8** |
| Year of project entry | -36,3** | -25,6** | -4,6** | -36,7** | -25,6** | -5,6** |
| 1 year after entry | -31,3** | -21,3** | +1,2** | -32,4** | -22,0** | +0,7** |
| 2 years after entry | | | | -28,1** | -18,5** | +1,2** |
| | | | | | | |
| **Controls included for** | | | | | | |
| Individual characteristics and district of residence† | No | Yes | Yes | No | Yes | Yes |
| Unemployment and employment history | No | No | Yes | No | No | Yes |
| Constant | 42,21** | 41,85** | 2,27** | 42,39** | 41,82** | 2,15** |
| No. of observations | 8459342 | 8459342 | 8459342 | 8338350 | 8338350 | 8338350 |
| Proportion of variance explained | 0,025 | 0,237 | 0,828 | 0,015 | 0,23 | 0,827 |

\* Significance level: *p <.05; **p <.01
† Level of education, gender, country of birth, length of residence in Sweden

The general pattern that emerges in the table is similar to that shown in Table 1. The placement of the ESF-group in the income ranking (i.e. their relative earnings) deteriorates somewhat during the period prior to their entry into an ESF-project (Model 1). By comparison with the reference group, whose incomes on average lay on the 42nd percentile, the average income ranking for the ESF-group lay 36 percentiles lower in the year of project entry. This percentile difference had declined to 31 in the year subsequent to project entry.

When statistical controls are introduced for individual characteristics and district of residence (Model 2), the differences between the ESF-group and the reference group are substantially reduced. When indicators of the individuals' labour market income history are also included in Model 3, only a marginal difference remains between the two groups. In the year following entry into an ESF-project, the ESF-group's average income lies approximately one percentile higher in the income distribution than that of the reference group.

Models 4–6 present an analysis of the ESF-group's position in the income ranking one and two years subsequent to entry into an ESF-project. In all of the models, the position occupied by the ESF-individuals improves between the first and second year following their project entry. In the model that includes all of the control variables (Model 6), the improvement between year one and year two is only marginal. In both years, the income of the ESF-group lies somewhat higher on the ranking distribution than that of the reference group.

An initial description of the differences between the ESF-participants and the rest of the population (Tables 1 and 2) show that the unconditional differences in labour market outcomes are very substantial. When the negative selection into the ESF-group on individual characteristics and labour market history is taken into consideration, these differences are greatly reduced and the differences that remain are small.

## Comparisons with the matched control group

As has been noted above, the use of regression analysis is problematic in connection with effect analyses of measures that have been used in relation to a highly select group of participants. The group with which we want to conduct comparisons ought to be subject to the same powerful negative selection as the ESF-group with regard to a number of factors of central significance for future labour market outcomes. We have thus matched individuals on the basis of the labour market outcomes that are of central interest to our analysis of the effects of ESF-participation, such as detailed information on work incomes and employment status over a period of four years prior to participation in the projects. In addition, we have also matched the individuals on the basis of country of birth, length of residence in Sweden, level of education, gender and municipality of residence. For each ESF-participant, we selected ten individuals from the remainder of the population who were very similar to the ESF-participant in question in relation to all of these factors.

When conducting analyses of treatment effects, it is generally the case that the factors on which the matching process is based should precede the treatment chronologically, since the comparison should proceed from a situation in which the initial state is the same for both groups, with nobody as yet having received the treatment in question. In the current instance, however, there is reason to extend the matching period somewhat and to also include the year in which the ESF-participants entered the projects.

As we have seen in the preceding analyses, no demonstrable positive effects accrue to the ESF-participants during the year in which they first enter a project, which may constitute what is known as a lock-in effect, but may also be a result of selection; the group failed to improve its chances of obtaining employment during this year, and many were therefore assigned to an ESF-financed project. In order to produce a fair comparison, there is therefore reason to select a comparison group that was as unsuccessful as the treatment group in obtaining employment during the year in which the ESF-participants entered their projects. However, we nonetheless also present analyses where the matching process was restricted to information relating to the period up to the calendar year prior to the start of participation in ESF-financed projects.

Having selected a group that is equivalent to the ESF-participants on the observed factors, we have followed the work incomes of the ESF-group and the comparison group for a period of up to three calendar years subsequent to project entry. Since our data only extend to the year 2011, this analysis is also limited to ESF-participants who entered projects during the period 2008–2010, a total of 41,590 individuals. For each of the years 2008, 2009 and 2010, we have an ESF-cohort that started an ESF-financed project during the year in question. For each of the years we have selected an equivalent, matched control group, and the three cohorts and their control groups have then been combined. This means that we include a control for possible time-specific effects on employment and incomes, e.g. effects of the 2008 financial crisis.[27]

*Employment and incomes*
In Table 3 we present the mean values for employment and income ranking for the control group and also the extent to which the corresponding values of the ESF-participants deviate from these control-group means prior to and subsequent to the ESF-participants' entry into a project.

The table shows that there is no major difference between the groups prior to project participation, which indicates that the matching process has been successful. For both groups, the employment level initially lies at just over 20 percent, and then decreases to 14–15 percent in the year in which the ESF-participants are first assigned to an ESF-financed project.

During the following years – in the same way as was shown in the previous analyses – the proportion of ESF-participants in employment increases substantially, from 14.7

27. For a more detailed description of the matching process, together with a balancing test, see Appendix 2.

**Table 3. Employment and incomes over time among ESF-participants by comparison with a matched control group.** Employment refers to the proportion with work incomes. Income rank refers to the group's income ranking within the population as a whole.

| Years prior to/after entry into ESF-projects | ESF-participants<br><br>Employment (difference relative to control group in percentage points) | Matched control group<br><br>Employment (percent) | ESF-participants<br><br>Income rank (difference relative to control group in percentiles) | Matched control group<br><br>Income rank (0–100) |
|---|---|---|---|---|
| 4 years prior to entry | -0,3 | 22,4 | -0,1 | 7,2 |
| 3 years prior to entry | -0,2 | 21,1 | 0,0 | 5,7 |
| 2 years prior to entry | 0,0 | 20,8 | 0,0 | 5,0 |
| 1 years prior to entry | +0,3 | 15,5 | 0,0 | 3,8 |
| Year of entry | +0,3 | 14,4 | +0,1* | 3,1 |
| 1 year after entry | +1,7** | 26,8 | +0,9** | 10,0 |
| 2 year after entry | +2,2** | 33,6 | +1,1** | 13,2 |
| 3 year after entry | +0,3 | 37,0 | -0,1 | 14,8 |
| "Difference-in-differences"† | +2,2** | | +1,2** | |
| No. of observations | 41,590 | 247,419 | 41,590 | 247,419 |

* Significance level: *p <.05; **p <.01
† Difference ESF-participants relative to control group subsequent to participation (plus 1 year to plus 3 years) minus the corresponding difference prior to participation (minus 4 years up to and including the year of ESF-project entry).

percent in the year of project entry to 37.3 percent three years later. When we shift the focus to the control group, however, we see that the trend in the proportion in employment is very similar within this group. Here the proportion in employment increases from 14.4 percent in the year during which their "twins" entered ESF-financed projects, to 37.0 percent three years later, which is thus much the same as the proportion noted among the ESF-participants at this point. A somewhat larger proportion of the ESF-participants were in employment during the intervening years, however. This difference is clearly visible and is also statistically significant, but is relatively small, in the region of approximately two percentage points (see the difference-in-differences estimate).

This pattern can be seen more clearly in Figure 1. The estimated effect of ESF-participation is positive but relatively small, and transitory. The substantial improvement that follows project participation, and that was also seen in the previous analyses, appears

to be something that also characterises the matched group of twins that were selected on the basis of the ESF-participants' characteristics and experiences during the period prior to project participation.

The pattern is very similar when we compare the trend in the ESF-participants' incomes with the corresponding trend in the control group. As can be seen from Table 3 and Figure 2, the mean income ranking for both ESF-participants and control group members lay on the seventh percentile four years prior to project participation, which is to

**Figure 1. Proportion with income from work/business activity, prior to and subsequent to participation in ESF-financed projects.** Control group matched on characteristics during the period -4 to 0 years.



Years prior/after entry
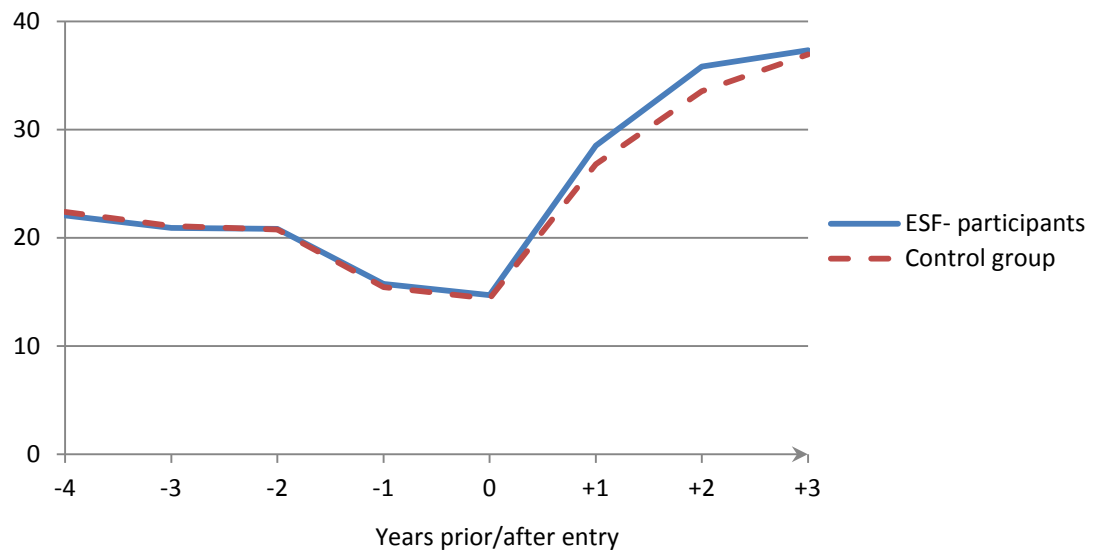
**Figure 2. Income rank (1–100), prior to and subsequent to participation in ESF-financed projects.** Control group matched on characteristics during the period -4 to 0 years.



Years prior/after entry
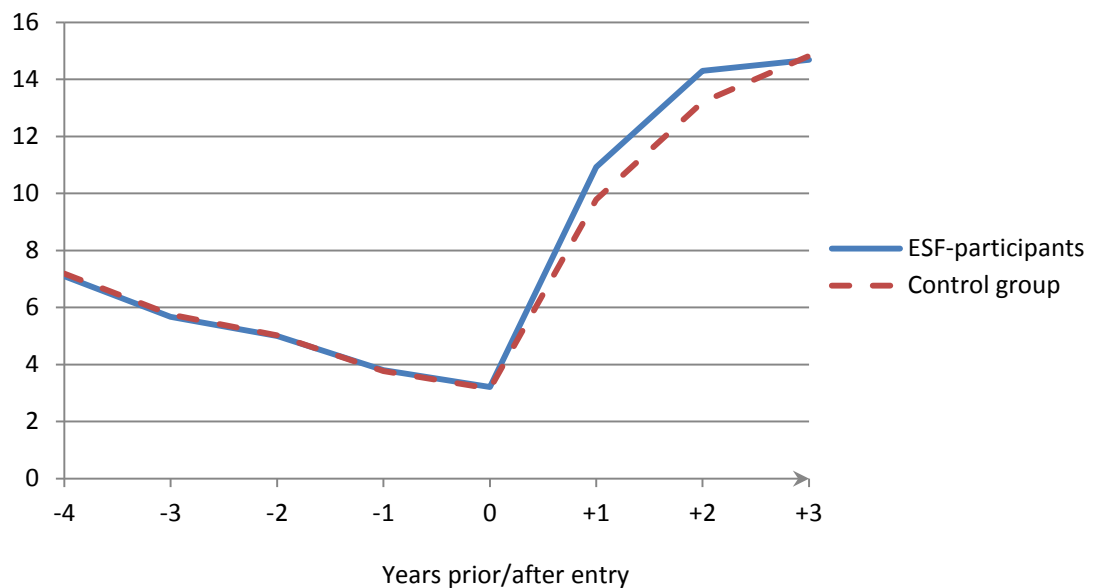
say that only six percent of the population had lower incomes than the average individual in the ESF-group and the control group respectively. During the period prior to project participation, this income ranking deteriorates year-on-year and comes to rest at the third percentile, which means that the average ESF-participant had an income that was greater than that of only two percent of the remainder of the adult population.

During the years subsequent to ESF-participation, there follows a relatively substantial increase in incomes although these remain at fairly low levels relative to the population in general. During the years after project entry, the average income ranking lies at the 11th, then the 14th and finally at the 15th percentile. The corresponding figures for the control group are the 10th, 13th and 15th percentiles. Thus in the same way as with the trend in employment, the ESF-group moves ahead during the first and second years following project entry, but is then caught up by the control group in the final year of the observation period. The estimated treatment effect of ESF-participation amounts to 1.2 income percentiles (see the difference-in-difference estimate). In monetary terms, at these income percentile levels, this amounts to an increase in income of approximately 3,000 SEK per year.[28]

*Individuals born abroad and their children*
When we restrict the follow-up to individuals who were born outside Sweden, and the children of such individuals, the patterns that emerge are similar, but there are also certain differences (see Table 4 and Figures 3 and 4). As would be expected, the employment and income levels are generally somewhat lower within this group. The same type of recovery is visible for both the ESF-group and the control group following the ESF-group's participation in a project, and we can see a statistically significant estimated employment effect of project participation amounting to approximately 2.7 percentage points, together with an estimated effect on the ESF-participants' position in the income ranking of 1.5 percentiles, which in monetary terms corresponds to an increase in income of approximately 3,500 SEK per year. One important difference by comparison with analyses of the material as a whole, however, is that the ESF-group's advantage one and two years subsequent to project entry is *not* then matched by the control group in the third year after project entry. Thus the analysis indicates a small but relatively stable effect of participation in ESF-projects for the group of individuals born abroad and their children.[29]

This result should however be viewed with certain reservations since all of the analyses in this report are based on Statistics Sweden's population registers. These are characte-

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28. During the years 2008–2011, the annual incomes (incomes from wages + income from business activity) for ranks 10, 11, 12, 13 and 14 amounted to 12,300, 14,600, 17,200, 19,800 and 23,000 SEK respectively.

29. We also conducted an analysis where in which "foreign background" was defined as being born abroad to two foreign-born parents, but the results were almost identical to those presented above. The group with foreign background is then comprised of 15,327 individuals, while the analysis presented above is based on 17,189 individuals. Three years after project entry, the ESF-group lay at +3.4 percentage points, as compared with 3.1 percentage points in the analysis presented above. On the income ranking, their position improved by +1.3 percentiles, as compared with the improvement of +1.0 noted in the above analysis. The difference-in-differences estimate for employment is +3.0, as compared with +2.7 in the analysis presented above. The DD-estimate for the income ranking is +1.6 as compared with +1.5 in the above analysis.

**Table 4. Employment and incomes over time among ESF-participants by comparison with a matched control group. Only persons born abroad and their children.** Employment refers to the proportion with work incomes. Income rank refers to the group's income ranking within the population as a whole.

| | ESF-participants | Matched control group | ESF-participants | Matched control group |
|---|---|---|---|---|
| **Years prior to/after entry into ESF-projects** | **Employment** (difference relative to control group in percentage points) | **Employment** (percent) | **Income rank** (difference relative to control group in percentiles) | **Income rank** (0–100) |
| | | | | |
| 4 years prior to entry | -0,3 | 17,9 | +0,1 | 8,4 |
| 3 years prior to entry | -0,5 | 16,9 | +0,1 | 6,7 |
| 2 years prior to entry | -0,5 | 15,5 | 0,0 | 5,3 |
| 1 years prior to entry | -0,5 | 11,1 | -0,1 | 3,4 |
| Year of entry | -0,1 | 10,4 | 0,0 | 2,6 |
| 1 year after entry | +2,5** | 21,7 | +1,3** | 8,3 |
| 2 year after entry | +3,3** | 28,4 | +1,5** | 11,3 |
| 3 year after entry | +3,1* | 30,6 | +1,0 | 12,4 |
| "Difference-in-differences"† | +2,7** | | +1,5** | |
| No. of observations | 17,189 | 93,111 | 17,189 | 93,111 |

\* Significance level: *p <.05; **p <.01
† Difference ESF-participants relative to control group subsequent to participation (plus 1 year to plus 3 years) minus the corresponding difference prior to participation (minus 4 years up to and including the year of ESF-project entry).

rised by a certain level of so-called over-coverage, which among other things manifests itself in individuals who no longer live in Sweden still being present in the registers (Wadensjö, 2013). The registered incomes for these individuals will in all likelihood be zero, which means that they are interpreted as not being in employment in our analyses. Since the co-funding regulations mean that Social Fund financed projects are required to be able to verify the participants' attendance at the project, this problem ought primarily to relate to members of the control group. Further, it is reasonable to expect that the over-coverage constitutes more of a problem in analyses focused on the group of individuals who were born abroad, since the mobility of this group is greater than that found among those born in Sweden. Although the presence of over-coverage would affect our results in a way that is difficult to estimate, the direction of this effect is nonetheless evident. If some proportion of the individuals included in the control group lack

an income from work as a result of the fact that they are living abroad, our analyses will overestimate the positive effect of participation in Social Fund financed activities.

*Transitions into studies and work among young participants*
Previous research has shown that young people in Sweden are experiencing significant problems in connection with the transition between education and work (see for ex-

**Figure 3. Proportion with income from work/business activity, prior to and subsequent to participation in ESF-financed projects. Only persons born abroad and their children.** Control group matched on characteristics during the period -4 to 0 years.
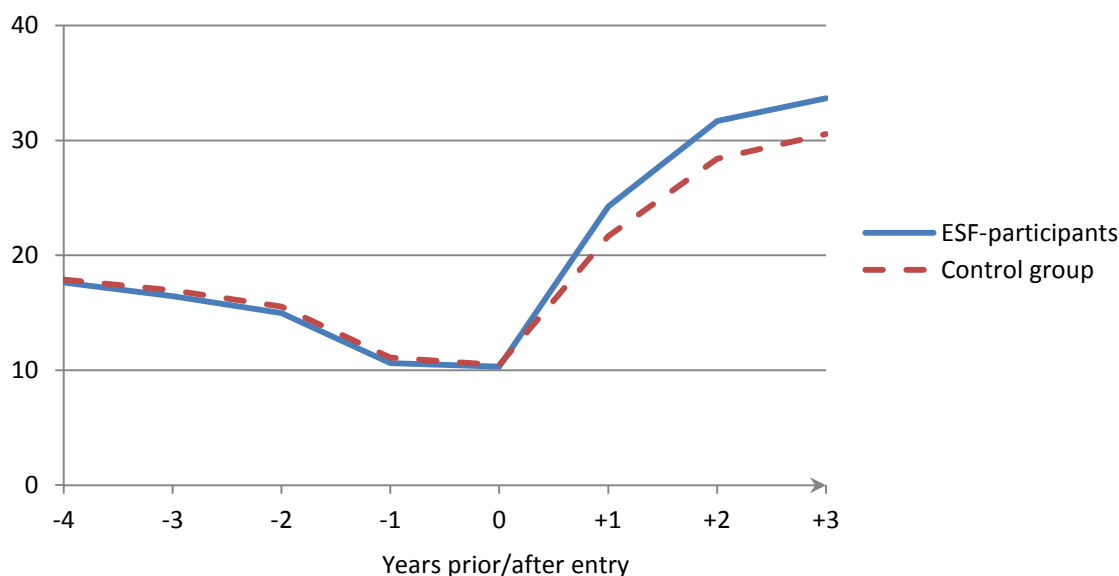


**Figure 4. Income rank (1–100), prior to and subsequent to participation in ESF-financed projects. Only persons born abroad and their children.** Control group matched on characteristics during the period -4 to 0 years.



52
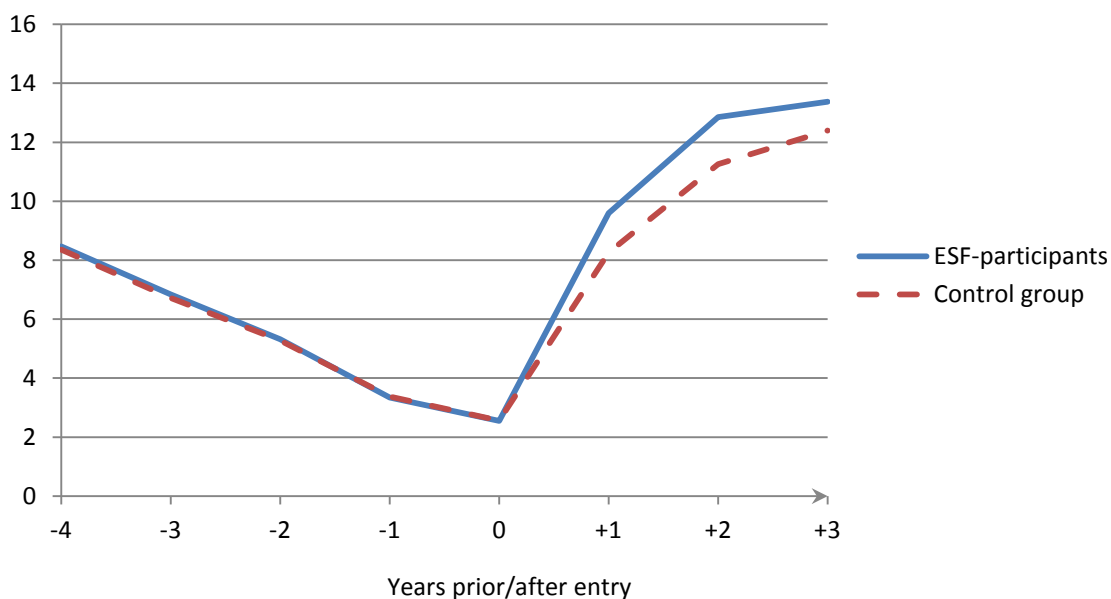
ample le Grand et al., 2013). Some of the ESF-projects are specifically focused on young people experiencing problems becoming established which makes it natural to conduct a separate analysis of this group (defined here as individuals aged between 16 and 30). The point of departure adopted here is that young people who are neither in education or employment constitute a group who may be expected to be very likely to experience problems establishing themselves in employment (Niknami & Schröder, 2013).

In our analyses we seek to answer the question of whether participation in ESF-projects increases the likelihood of transitioning out of this problematic situation and into either studies or employment.[30] The presentation in this case is limited to those analyses that provide the most credible picture of the effects of participation in ESF-projects, i.e. those in which the ESF-group is compared with the matched control group.

**Table 5. Studies and employment over time among ESF-participants aged 16–30 by comparison with a matched control group.** Employment refers to the proportion with work incomes.

| | ESF-participants | Matched control group | ESF-participants | Matched control group |
|---|---|---|---|---|
| **Years prior to/after entry into ESF-projects** | **In studies** (difference relative to the control group in percentage points) | **In studies** (percent) | **Employment** (difference relative to the control group in percentage points) | **Employment** (percent) |
| | | | | |
| 4 years prior to entry | +2,8** | 70,6 | -0,7* | 11,6 |
| 3 years prior to entry | +3,3** | 66,9 | -0,9** | 14,3 |
| 2 years prior to entry | +3,8** | 57,9 | -0,6 | 18,2 |
| 1 years prior to entry | +3,8** | 37,8 | +0,1 | 15,5 |
| Year of entry | +1,4** | 26,5 | +0,7* | 15,7 |
| 1 year after entry | -1,0 | 37,9 | +0,2 | 32,0 |
| 2 year after entry | -3,8** | 39,9 | -0,0 | 39,3 |
| 3 year after entry | -4,4** | 38,1 | -1,7 | 41,7 |
| "Difference-in-differences"† | | -4,5** | | +0,5 |
| No. of observations | 22,761 | 109,840 | 22,761 | 109,840 |

\* Significance level: *p <.05; **p <.01
† Difference ESF-participants relative to control group subsequent to participation (plus 1 year to plus 3 years) minus the corresponding difference prior to participation (minus 4 years up to and including the year of ESF-project entry).

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30. The OECD has introduced the concept of the NEET-rate (Neither in Employment nor in Education or Training) (Schröder 2010). It is worth noting that the proportion who are neither in education or employment is Sweden is relatively low compared with the majority of European countries (le Grand et al. 2013).

**Figure 5. In studies, prior to and subsequent to participation in ESF-financed projects.**
Control group matched on characteristics during the period -4 to 0 years.
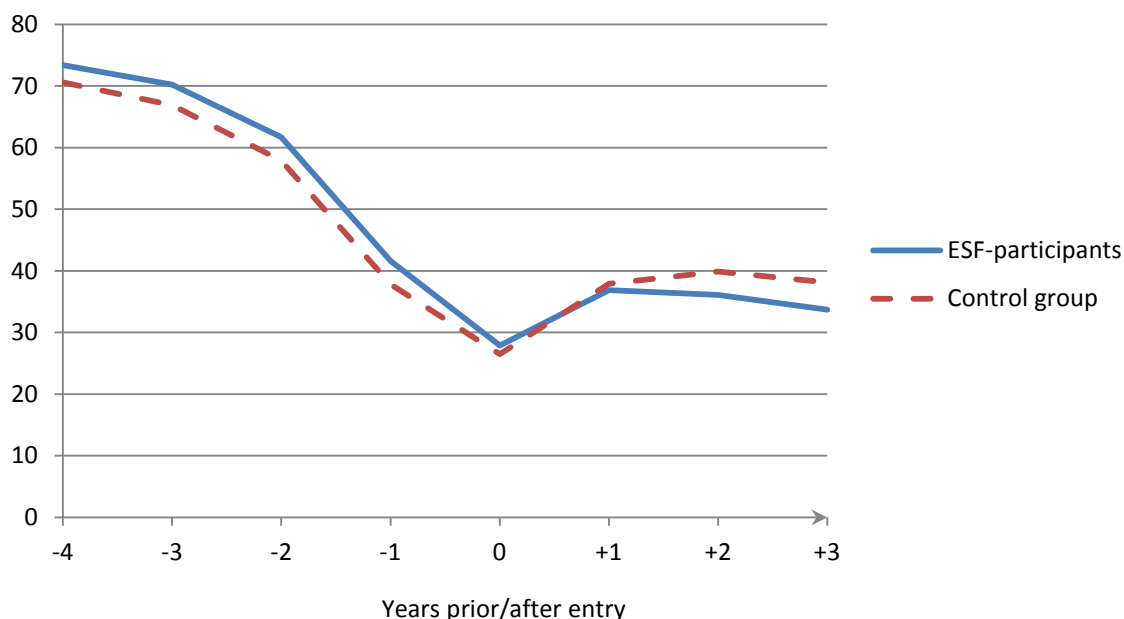


When the focus of the analysis is directed at the transition into study, the outcome of the comparison is worse for the ESF-group than for the control group. As can be seen from Table 5, the estimated effect of ESF-participation lies at minus 4.5 percentage points. It can be seen that slightly over 70 percent of both the control group and the ESF-group were participating in studies four years prior to participation in the ESF-projects. This proportion is somewhat larger for those who would later participate in ESF-financed projects. The proportion declines continuously as the time of project participation approaches and lies at approximately 27–28 percent during the year of project entry. Subsequent to project entry, participation in studies increases by 11–13 percentage points, but it increases more for the control group than for the ESF-group, which leads to the estimated effect of ESF-participation being negative (see also Figure 5).

As regards the employment effect of ESF-participation, Table 5 shows that for those aged 16–30, this effect is close to zero. As was the case with the ESF-group as a whole, there is a substantial increase in employment following entry into an ESF-financed project. This increase also occurs within the control group, however, which produces an estimated net effect of project participation that is close to zero. For 16–30-year-olds who were born abroad or to two foreign-born parents, the negative effect is somewhat smaller, at minus 1.6 percentage points (see Appendix 3).

## Comparisons between ESF-regions

When we break our effect analyses down on the basis of the different ESF-regions (see Appendix 3 for a presentation of the results), we can see that there are clear regional va-

riations in the nature of the outcomes experienced by the ESF-participants in relation to those of the individuals in the control group. In relation to employment, the regions of Stockholm, Eastern Central Sweden and Northern Central Sweden stand out as producing relatively positive estimated employment effects of approximately 5 percentage points, whereas the estimate effects in the other regions are close to zero. The three regions mentioned also stand out in a positive sense with regard to the participants' income trends, although here they are also joined by Upper Norrland and Southern Sweden. The effects on income are relatively small, however.

## Sensitivity analyses

As was noted above, one of the problems associated with our analyses is that we do not know the extent to which the members of the control group, with whom we compare the ESF-group, have themselves been the subject of various types of measures. The data from Statistics Sweden on which our analyses are based include certain information that indicates whether the individuals have been registered at the Public Employment Service and have been the subject of some form of measure. Given that the Public Employment Service constitutes one of the principal organisations that assigns unemployed individuals to ESF-projects, it may therefore be of interest to compare the ESF-individuals with other individuals who have been registered in Public Employment Service programmes. An analysis of this kind is also of interest in that it serves to resolve the "over-coverage problem" that was described earlier. It is not possible both to live abroad for longer periods of time and at the same time to be registered at the Public Employment Service. An analysis of the individuals who have been the subject of measures at the Public Employment Service thus constitutes a valuable complement to the principal analyses presented in this report. As can be seen from Figures 6 and 7, the differences between the groups are small in these cases, but it is the ESF-participants who come off worse in the comparison.

One clear result relating to both the ESF-group and the control group is that both the employment rate and incomes increase substantially during the years subsequent to the ESF-participants entering their projects. This finding may be interpreted in two different ways. The first would be that the observed recovery may be due to both groups having participated in some form of measure that has served to raise them up out of the marginalised position in which they found themselves. The second possibility, however, is that the situation of groups that are produced by means of a powerful negative selection has a natural tendency to improve once these groups have been experiencing various forms of problems for a long period of time.

If an analysis is focused on a group that is characterised by extreme values (in our case negative values) on the variable of interest at the first observation point (t), it is highly likely that the same group will have moved towards the mean value for the same variable (which would in our case involve a significant improvement on the outcome variable) at the next observation point (t+1). If the observed mean employment rate in a group

of individuals is zero percent at a certain point in time, it is highly likely that the same group will perform better in this regard at a subsequent point, i.e. the employment rate will be greater than zero. An analysis of measures focused on groups that are subject to a powerful negative selection should avoid interpreting the statistical probabilities associated with a process of this kind in causal terms. The analysis should thus estimate how large a proportion of the observed recovery is due to an unavoidable effect of the negative selection into the group to begin with, and how much of it may be interpreted as constituting an effect of participation.

**Figure 6. Individuals registered at the Public Employment Service. Proportion with income from work/business activity.** Control group matched on characteristics during the period -4 to 0 years.
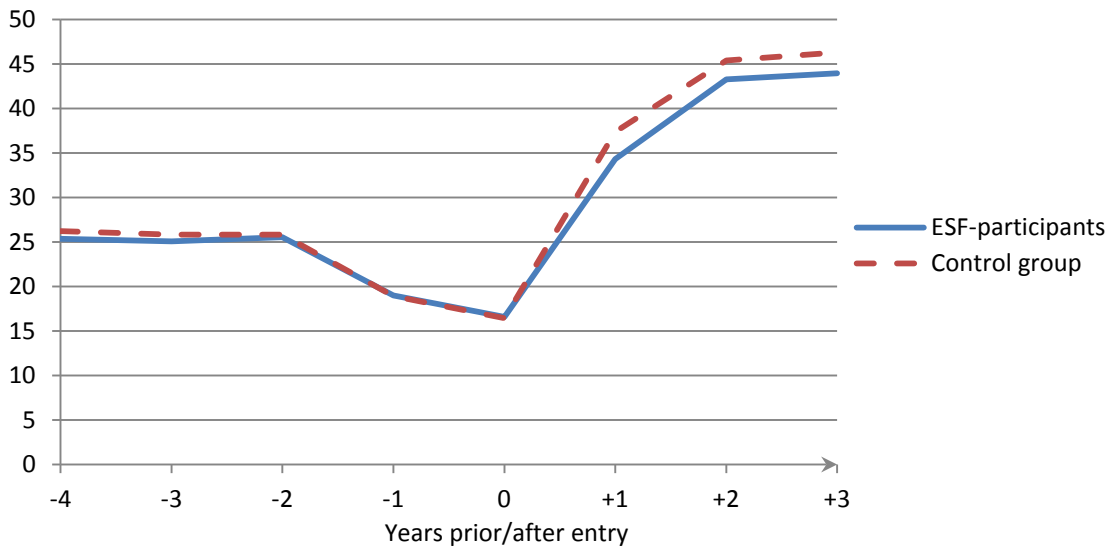


**Figure 7. Individuals registered at the Public Employment Service. Income rank (1–100), prior to and subsequent to participation in ESF-financed projects.** Control group matched on characteristics during the period -4 to 0 years.
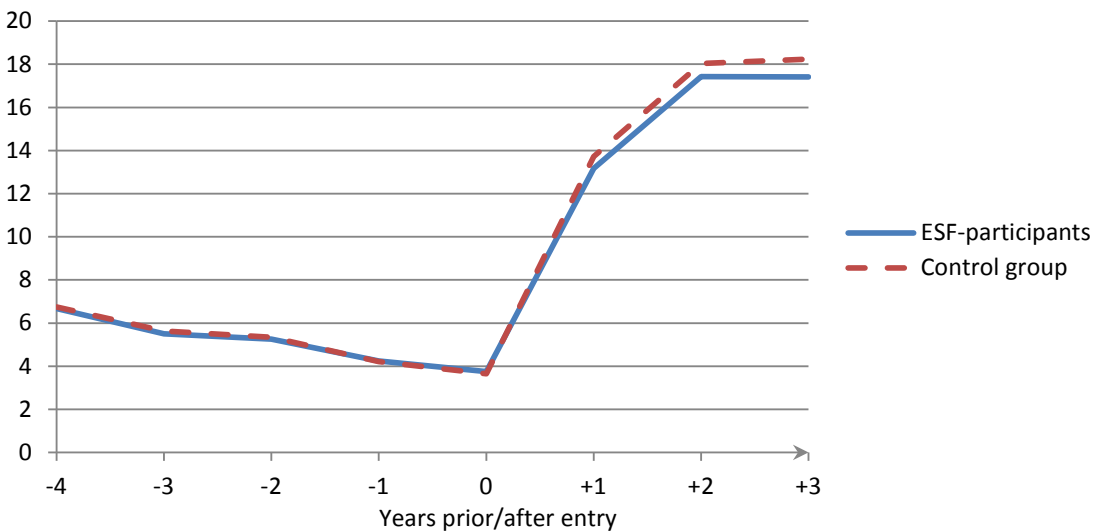
Our results to date suggest that the ESF-group and the control group experience a very similar recovery – albeit with a certain variation – in relation to employment and incomes. A relatively substantial improvement can be noted over time for both groups, beginning during the year subsequent to the ESF-group entering their ESF-projects. The question then is whether some part of this shift may be regarded as a "natural" recovery from a marginal position towards the mid-point of the employment and income distributions.

**Figure 8. Proportion with income from work/business activity.**
Control group matched on characteristics during the period -4 to -1 years.



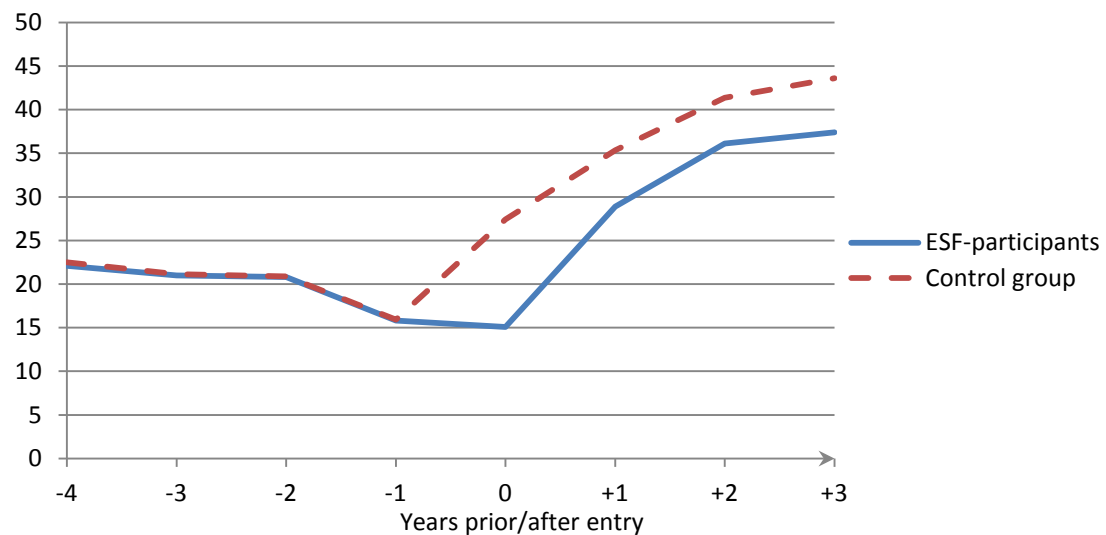**Figure 9. Income rank (1–100), prior to and subsequent to participation in ESF-financed projects.**
Control group matched on characteristics during the period -4 to -1 years.
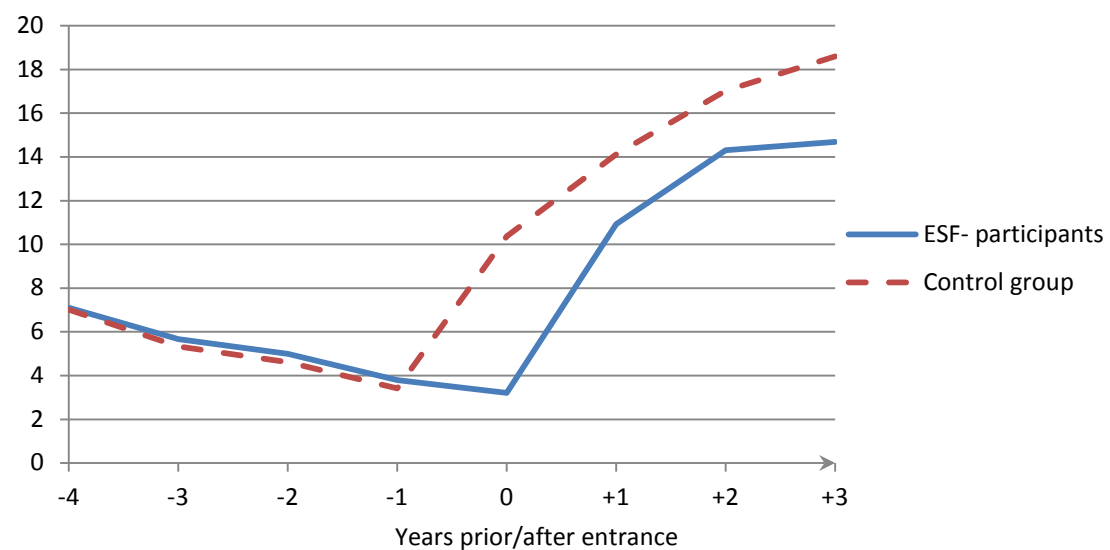
In order to come closer to an estimation of the "natural" part of the observed improvement in the groups' situation, we employ something that might be referred to as a form of placebo analysis. We repeat our difference-in-differences analyses, in combination with matching, but with the difference that this time the groups are matched on the basis of data relating to the individuals' situation up to one and two years respectively prior to the ESF-group entering the ESF-financed projects. It should thus be noted that in this instance, the matching process produces a control group that is largely comprised of new individuals. Figures 8–11 show that irrespective of which of the two years is chosen as the final year for the matching process, the recovery within the control group be-

**Figure 10. Proportion with income from work/business activity.**
Control group matched on characteristics during the period -4 to -2 years.



**Figure 11. Income rank (1–100), prior to and subsequent to participation in ESF-financed projects.**
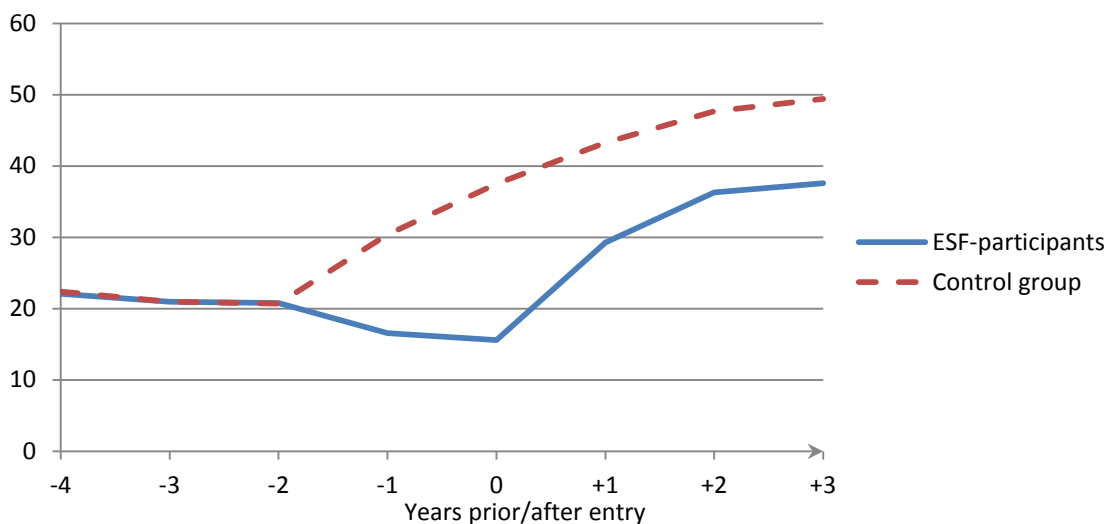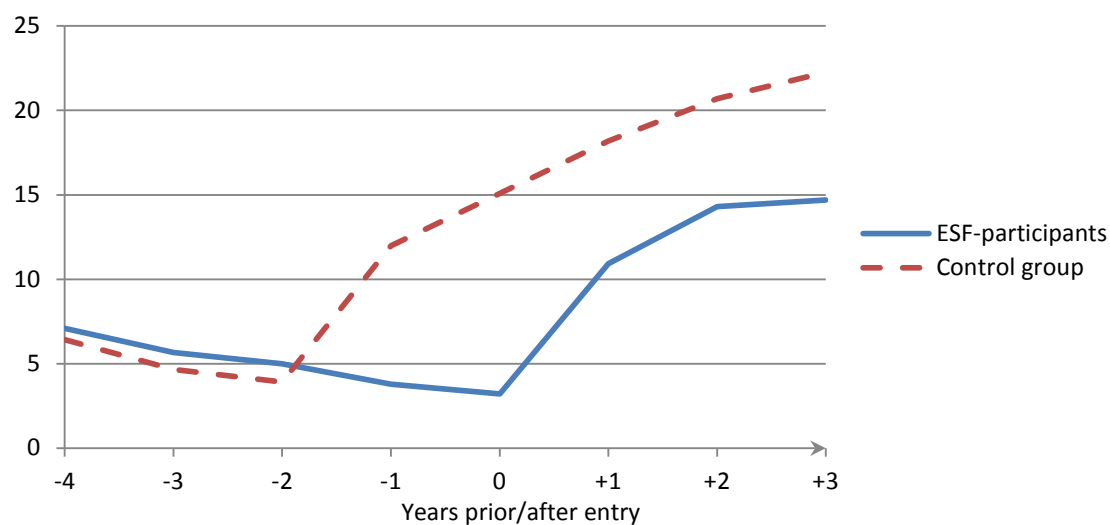Control group matched on characteristics during the period -4 to -2 years.

gins immediately in the year following the final year on which the groups were matched on the relevant characteristics and experiences. Thus a large part of the improvement in labour market outcomes that we observe (in both groups) in our analyses should not be interpreted as a causal effect of the measures in which the individuals have participated. Given their consistently low employment rate, it is reasonable to assume that the majority of members in both the experiment and the control group ought to have been subject to measures of various kinds. The observed effect thus appears largely to be due to a "natural" tendency for extreme groups to move closer to their underlying mean for employment and income. It is conceivable that there may be different reasons for a certain group of individuals having an employment rate of 15–20 percent. It may be due to them in some way quite simply lacking certain qualifications or characteristics that are valued by the labour market. But it may also be due to in part transitory problems in the form of e.g. illness, negative events in the family, substance abuse or traumatic events. There is likely to be a disproportionately large accumulation of problems of this kind in a group that persists in having an employment rate of 15–20 percent over a period of several years. Given the role played in everybody's lives by chance occurrences, however, such an accumulation of problems is unlikely to persist over time but will instead have a tendency to diminish.

In the statistical literature, this phenomenon is labelled "regression to the mean" (see Tversky & Kahneman, 1974 and Kahneman, 2011 for a description of the phenomenon). The tendency is more powerful the weaker the correlation between two measurement points, in our case the observation points t and t+1. In our data, the correlation between employment at point t and employment at point t+1 is .75. The population mean for employment among individuals with the same characteristics (education, number of years in Sweden, gender, municipality of residence) as the ESF-participants lies at 57 percent. The average expected regression to the mean between two measurement points can in our case be calculated to amount to 25 percent (1 minus the correlation, i.e. 1–0.75 = 0.25).[31] Given that the ESF-group's employment rate lies at 15 percent in the year prior to entering an ESF-financed project, the expected mean value for the group in the first year after project entry can be calculated to amount to 15 + 0.25(57–15) = 25.5, i.e. an employment rate of 25.5 percent. The corresponding expected regression towards the mean in year two may be calculated at 25.5 + 0.25(57–25.5), producing an expected employment rate of 33.4 percent. The calculation for year 3 is 33.4 + 0.25(57–33.4), i.e. an employment rate of 39.3 percent.

As can be seen from Figure 1, these figures present a relatively good match to the employment rates of both the control group and the ESF-group in the years following entry into an ESF-financed project. The extent to which groups that are marginalised on the labour market move towards the population mean may however naturally also be influenced by labour market policy in general. In technical terms, this could be translated such that policy serves to reduce the strength of the correlation between t and t+1 and to increase the population means for those groups that are the object of the initia-

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31. See e.g. Shephard (2003).

tives in question. Policy may thus in part be responsible for the strength of the recovery experienced by both the control group and the ESF-group.

# Chapter 7

## Summary and concluding discussion

# Summary and concluding discussion

The objective of this report has been to analyse the extent to which participation in Social Fund financed projects has an effect on the participants' future opportunities on the labour market. Our analyses include those individuals who have participated in projects within the framework of programme area two, which focuses on groups located at a substantial distance from the labour market.

The task of evaluating ESF-financed activities is a difficult one. This is a result of the fact that these activities have not been designed in way that makes it possible to evaluate them in a scientifically acceptable way. In the field of public sector activities, the Swedish ESF-Council is not alone in making this type of mistake. Given that one of the overarching objectives of the National Structural Fund Programme during the most recent project period has been that of developing and evaluating innovative working methods in order to facilitate the integration of marginalised groups into employment, this failure to take evaluability into account may however be regarded as somewhat surprising.

## Results in brief

In our empirical analyses, we have on the one hand compared the ESF-participants with a cross-section of the remainder of the adult population, and on the other employed an approach which has involved comparing the labour market outcomes of the ESF-participants with those of a control group whose individual characteristics and experiences of the labour market are as similar as possible to those of the ESF-group.

When we compare the employment trend among the ESF-participants prior and subsequent to ESF-participation with that of the rest of the population, we can see that the employment rate and incomes of the ESF-group are significantly lower than those of the remainder of the population. Following their participation in the ESF-projects, the participants' employment rate increases, as does their income, although without reaching the levels found in the rest of the population. When we employ regression analysis to control for the powerful negative selection into the group of ESF-participants, however, this difference disappears.

We went further by matching the ESF-participants with individuals from the rest of the population who were very similar to the ESF-group with regard to individual characteristics and labour market-related experiences. Membership of this control group is subject to the same powerful negative selection as the ESF-group in relation to a number of factors that are of central importance for future labour market outcomes. The matching

procedure employed means that the groups were equivalent up to and including the year in which the ESF-individuals initiated their participation in the projects. The analysis of future employment opportunities and incomes indicates that the labour market outcomes of both groups improved substantially during the years immediately subsequent to project participation that are covered by our data. To begin with, the ESF-group experiences a somewhat more rapid recovery. This trend is temporary, however, and three years subsequent to project entry, the employment rates and incomes of the two groups are approximately the same.

In a separate analysis of individuals born abroad and their children, a similar pattern emerges. Here, however, the initial recovery experienced by the ESF-group appears to be more persistent. Three years subsequent to registration in their respective Social Fund projects, the outcomes of the ESF-group remain better than those of the controls. Irrespective of whether the analysis is focused on the entire group of participants in Social Fund financed projects or on separate analyses of individuals born abroad and their children, however, the differences between the ESF-participants and the control group are relatively small. If the assumption is made that the outcome for the control group constitutes the counter-factual outcome that the ESF-group should be compared with – i.e. the outcome that the ESF-participants would have experienced if they had not participated in ESF-projects – the conclusion is that the ESF-projects have a positive but relatively small effect on the participants' chances of employment and future incomes.

For the group of young people (here defined as those aged between 16 and 30) we have conducted a number of analyses with the objective of studying whether ESF-projects produce positive effects for those individuals who are neither in education or employment. The problems associated with this group have over recent years become a focus of attention in both the research community and the public debate. In these analyses we have examined the likelihood of transitions into studies and employment respectively. In both cases we have employed the same type of matching procedure as that described in connection with the analyses above. The results indicate that the probability of transitions into study is clearly lower among the ESF-group by comparison with the control group. The difference between the groups as regards the transition into work is more or less non-existent.

In order to examine the robustness of our results, we conducted a number of sensitivity analyses. In a so-called placebo analysis, we match the control group with the ESF-group on the basis of measurements made up to one and two years respectively prior to the ESF-individuals entering their ESF-projects. These analyses show a very powerful recovery in the rate of employment and in incomes for the control group in the year following the final year in which the groups were matched with one another. Our interpretation is that this constitutes a manifestation of what the statistical literature refers to as "regression to the mean", which means that units with extreme values tend over time to move towards the population mean. This should not however be confused with a causal effect of participation in an ESF-financed project. The ESF-participants would

probably have experienced substantially improved chances of employment and incomes irrespective of whether or not they participated in an ESF-financed project.[32] In order to be able to assess how much of our results are due to various measures and how much are due to a return to "normality", we would need a control group that had not itself been the object of any measures at all. It is impossible to create a control group of this kind on the basis of the available data however.

One shortcoming associated with our analyses is that we know nothing about the activities of the control group during the period in which its comparability with the ESF-group is measured. The individuals who comprise the control group may have participated in municipal measures that were not financed by the Social Fund, or they may not have been the object of any measures at all, or they may have migrated to another country without this having been registered. This last problem is referred to as over-coverage and occurs in this case when individuals who have become residents of other countries remain in the Swedish population register despite no longer living in Sweden. For parts of the control group there is information about individuals who have been registered at the Public Employment Service. In separate analyses, we have matched individuals assigned to Social Fund projects by case officers at the Public Employment Service with a control group comprising individuals who have also been registered at the Public Employment Service and who in certain cases have also been the object of measures. The advantage of these analyses is that we have certain information about the control group – it is likely, for example, that these individuals were resident in Sweden during the year in which they were registered at the Public Employment Service. In the analyses in which we compare the outcomes for these two groups, the outcomes are more negative for the ESF-participants by comparison with those of the control group, but the difference is relatively small.

Overall, the analyses lead to the conclusion that a large part of the recovery that can be observed among the ESF-participants may be due to a general propensity for the life situation of marginalised groups to improve over time, rather than being an effect of the project activities. Further, in those analyses in which we have more information about the control group, the small but positive effect of ESF-participation disappears. The tendency in these analyses is rather that ESF-participation produces negative effects, at least by comparison with those individuals who were registered at the Public Employment Service. This result is similar to those that we presented previously in Szulkin et al., (2013).

## Recommendations for improved evaluability

We noted earlier in the report that reliable evaluations of the effects of participation in labour market policy measures require these measures to have been designed in a way

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32. It should, however, be noted that the general opportunities for marginalised groups to improve their rate of employment and work incomes may be influenced by the way labour market policy is formulated. Some part of the observed recovery for both the control group and the participants in the Social Fund financed groups may thus be policy-related.

that makes them evaluable. Experimental evaluations provide the most credible results, but it is also possible to create natural control groups by, for example, introducing labour market policy reforms in stages across different municipalities or city districts. What usually happens, however, is that evaluators are brought in much later and are therefore faced with having to attempt to estimate the effects of participation by creating a reference or control group retrospectively. For such estimates to be causally credible, however, a number of conditions must be met. The criteria for participation in the measure under study must be transparent, and the same is true of information about the design and content of the measure. During the programme period examined here, these conditions have not been met.

In an earlier report, the thematic group has directed criticism at the Swedish ESF-Council for not having developed systematic routines for the collection and handling of information on the activities of the projects that are financed by the Social Fund (Szulkin et al., 2013:84). What is in particular missing for the programme period in question is standardised and thus comparable information on the respective projects' objectives and on the central contents of the project activities. This information is lacking despite the fact that during this programme period, the projects have been under an obligation to continuously report detailed information on project participants, project activities and project costs to the regional offices of the administering agency. Unfortunately, this information has not been systematically compiled in a way that would allow it to be used for the purpose of evaluating the projects' effectiveness. Systematised data on the contents of the projects could not only be used for the purposes of evaluation, but would also provide the agency with the opportunity to follow up and provide an account of the types of projects that have received funding. This type of account has also been called for by the structural fund partnerships, which during the recent programme period have experienced that the opportunities for learning from the way projects have previously been prioritised have been very limited.[33]

The evaluation strategy that has been recommended by the administering agency during the programme period is that of so-called learning evaluation. The costs of evaluation efforts at the level of the projects and the programme have together been in excess of 300 million SEK, with the majority of this money having been used to finance the purchase of services from external evaluators that have employed the learning evaluation approach.[34] These evaluations have not been conducted in a way that makes it possible to obtain knowledge about Social Fund financed activities at the aggregate level. There is a very substantial variation in the design and quality of the evaluations.

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33. Lindblom, forthcoming.

34. The costs of the evaluation activities implemented during the current programme period were estimated at 357 million SEK in March 2014, of which the costs of programme evaluation and of the evaluation activities within the Swedish ESF-Council's five thematic groups accounted for 15 and 30 million SEK respectively. The remaining 312 million SEK have thus been used to finance the purchase of services from external evaluators that implement learning evaluations. It should be noted that the estimate described here is based on both payments made to projects that have been concluded and funding that had been awarded to ongoing projects. Since some of the funding awarded to projects is returned without having been used, the final sum for the ongoing projects will probably be somewhat lower, and thus the figure of 357 million SEK for programme and project evaluations should be viewed as the highest possible estimate.

In order to be able to draw general conclusions about project activities would require more systematic forms of data collection and of following-up the project participants.

Taken together, the mass of projects implemented during the current programme period has been characterised by a high level of heterogeneity. One factor that has contributed to this heterogeneity is that there have been discrepancies between the quantitative objectives, the national selection criteria and the routines governing the selection of projects at the administering agency and the structural fund partnerships. However, even if the degree of correspondence between objectives and selection processes improves during the coming programme period, the nature of the programme activities is such that relatively dissimilar types of projects will continue to be awarded funding, particularly if the Fund persists in having the objective of promoting various forms of methodological development. It would be beneficial if the quantitative objectives were to take this into account, and consideration should be given to the use of differentiated objectives for different areas of project activities.

The costs of follow up and evaluation have been extensive during the current programme period. In spite of this, however, the systematised knowledge on the contents and effects of the project activities remains very limited. We have been able to note small and transitory effects of participation, but at the same time have had to wrestle with the lack of reliable control groups and a lack of clarity regarding how participants are assigned to the projects. There is thus a risk that the effects of participation have not been estimated correctly, for example as a result of the fact that there are differences between the groups that have been compared that we have not been able to control for on the basis of the information we have used.

The recommendation of the thematic group is that, during the next programme period, Social Fund money should be set aside for the funding of limited pilot projects that are evaluated using experimental designs. This could then contribute to increased knowledge regarding the results of active labour market policy, which types of measures produce the intended effect and for which target groups. Both practitioners and politicians need this type of knowledge in order to be able to plan for how measures should be formulated and to make decisions as to how resources can best be utilised. At the same time, being assigned to a labour market policy measure is a decision that is of major significance for the individuals concerned. The least one can ask is that the measure in question is designed in accordance with scientific knowledge and reliable experience.

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*Appendix*

# Appendix 1

**Table A1. Descriptive statistics for ESF-participants as compared with the rest of the population, 2008.**

|  | ESF-participants | Population as a whole |
|---|---|---|
| **Education** |  |  |
|   Pre-upper-secondary school, less than 9 years | 7 | 4 |
|   Pre-upper-secondary school | 41 | 16 |
|   Upper-secondary (at most 2 years) | 19 | 24 |
|   Upper-secondary (3 years) | 21 | 23 |
|   Post-upper-secondary (less than 3 years) | 7 | 14 |
|   Post-upper-secondary (3 or more years) | 5 | 19 |
| **Individuals born abroad and their children %** | 37 | 19 |
| **Women %** | 49 | 49 |
| **Mean age** | 30 | 40 |
| **In employment %** | 21 | 73 |
| **Income rank** | 9 | 43 |

# Appendix 2

*The matching procedure*

The matching process employed a random sample of individuals comprising 20 percent of the adult population resident in Sweden in the ages 16–64, during the period 2008–2010. None of these participated in an ESF-financed project. These individuals were followed in the same way as the ESF-participants, both retrospectively at most as far back as 2004, and prospectively at most until 2011.

The total number of person-years on the basis of which the matched individuals were chosen amounted to 3,229,267. Thus for each cohort of ESF-participants for the three years 2008, 2009 and 2010, a group of comparable individuals were matched from a pool of approximately one million adults per cohort. None of these individuals participated in an ESF-financed project, but many of them share similar characteristics and experiences with the ESF-group, and are therefore equivalent to the ESF-group on certain variables.

For each individual who participated in an ESF-financed project, we selected the ESF-participant's 10 "nearest neighbours" with regard to certain observed characteristics and events that are correlated with ESF-participation. The procedure was repeated for all ESF-participants and the same individual may be selected as a "nearest neighbour" to more than one ESF-participant, i.e. the matching process was conducted with replacement.

The probabilities for participation were calculated using a logistic regression model that included the following independent variables, where t represents the time of the matching year, t – 1 the matching year minus 1, t – 2 the matching year minus 2 etc.: (1) Income ranking in percentiles for t, t – 1, t – 2, t – 3 and t – 4 (income of work/ business activity) using the following percentile groups: 0, 1, 2, 3, 4, 5-6, 7-8, 9-10, 11-12, 13–14, 15–20, 21–30, 31–40, 41–50, 61–60, 61–70, 71–100. (2) Employment status (in work yes/ no) for t, t – 1, t – 2, t – 3 and t – 4. (3) Municipality of residence at t (4) Educational level at t (5) Length of residence in Sweden at t. (6) Country of birth. (7) Gender.

Since a not inconsiderable proportion of the ESF-participants are comprised of youths and recently arrived immigrants, register data for these are often unavailable for one or more years during the year(s) in question. In order to produce a matched group that was equivalent with regard to this characteristic, missing data has been coded as a special category, and the groups were also balanced on these values.

Table A2 presents the results of tests of the extent to which the groups are balanced on

the variables employed in the matching process. It can be seen that the groups are for the most part well balanced on the matching variables. The greatest observed difference is that 61 percent of the ESF-group were born in Sweden, as compared with 59 percent of the control group. The other differences between the groups are very small.

Figure A1 presents propensity scores for participation in ESF-projects for the ESF-participants and the control group respectively. As can be seen, the distribution within the ESF-group mirrors that of the control group on these scores, although the scores of the control group are on average lower and the control group is overrepresented among those with low propensity score values, and underrepresented among those with high propensity score values. This reflects the fact that the ESF-group is comprised of a highly selected group of individuals, and this produces certain difficulties in identifying a group in the remainder of the population that would have been able to qualify for participation in an ESF-financed project in a corresponding way.

**Figure A1. Histogram for propensity scores for ESF-participants and the control group respectively.**



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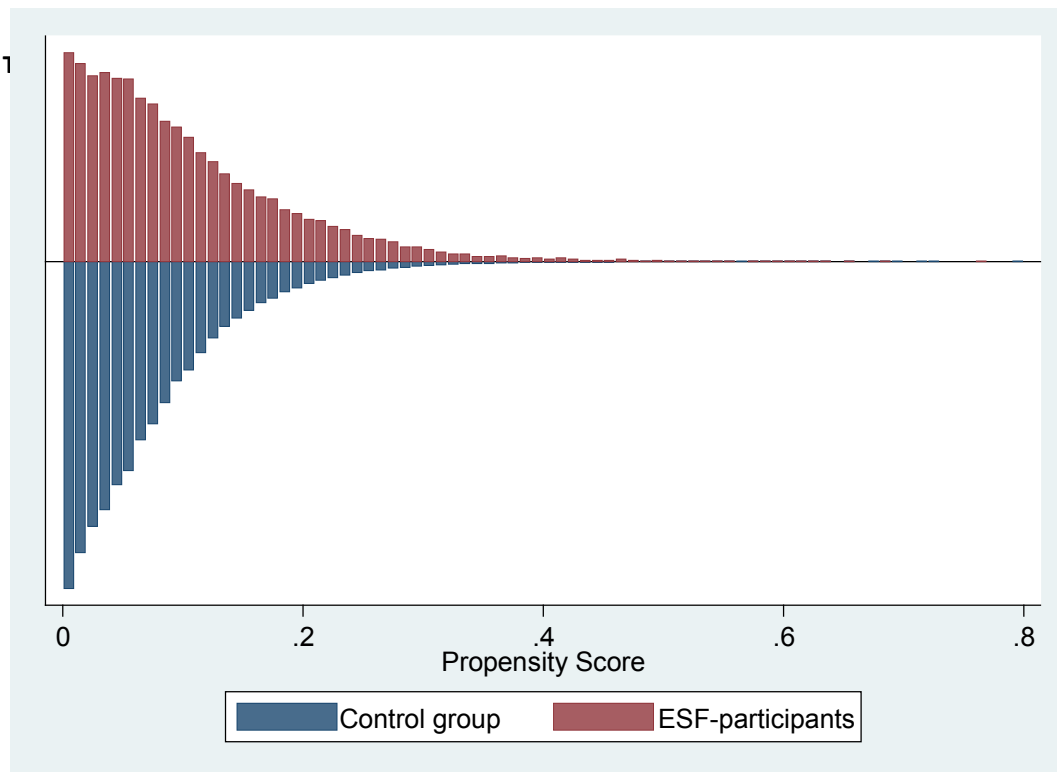
**Table A2. Balancing test from the matching process.**

| Matching variable | Mean ESF-participants | Mean matched control group | t-score for test of differences in means |
|---|---|---|---|
| | | | |
| Income rank t | 3.216 | 3.146 | 2.34* |
| Income rank t-1 | 3.805 | 3.771 | 0.99 |
| Income rank t-2 | 5.002 | 5.022 | -0.48 |
| Income rank t-3 | 5.671 | 5.748 | -1.74 |
| Income rank t-4 | 7.099 | 7.188 | -1.80 |
| Employment t | 0.147 | 0.144 | 1.40 |
| Employment t-1 | 0.158 | 0.155 | 1.20 |
| Employment t-2 | 0.208 | 0.208 | 0.23 |
| Employment t-3 | 0.209 | 0.211 | -0.61 |
| Employment t-4 | 0.221 | 0.224 | -0.98 |
| Pre-upper-secondary education, less than 9 years | 0.090 | 0.088 | 1.30 |
| Pre-upper-secondary education, 9 years | 0.250 | 0.249 | 0.36 |
| Upper-secondary education, up to 2 years | 0.205 | 0.197 | 2.68** |
| Upper-secondary education, 3 years | 0.288 | 0.291 | -1.06 |
| Post-upper-secondary education, less than 3 years | 0.077 | 0.081 | -2.15* |
| Post-upper-secondary education, 3 years or more | 0.067 | 0.070 | -1.50 |
| Doctoral studies | 0.002 | 0.002 | -0.34 |
| Born in Sweden | 0.612 | 0.590 | 6.58** |
| Born abroad, resident in Sweden up to 2 years | 0.111 | 0.117 | -2.58* |
| Born abroad, resident in Sweden 3-5 years | 0.075 | 0.078 | -1.46 |
| Born abroad, resident in Sweden 6-10 years | 0.060 | 0.063 | -1.80 |
| Born abroad, resident in Sweden 11-20 years | 0.093 | 0.101 | -4.00** |
| Born abroad, resident in Sweden 21 years or longer | 0.049 | 0.051 | -1.82 |
| Female | 0.475 | 0.483 | -2.27* |
| | | | |
| No. of observations | 41,590 | 247,419 | |

* Significance level: *p <.05; **p <.01

# Appendix 3

**Table A3. Analyses based on alternative sub-groups.**

| | Prior to participation | | After participation | | Difference-in-differences |
|---|---|---|---|---|---|
| | ESF | Non-ESF | ESF | Non-ESF | |
| Matching conducted up to and including participation minus 0 years. Outcome: proportion in employment. | 17.2 | 17.1 | 31.5 | 29.2 | +2.2** |
| As above, by region | | | | | |
| Upper Norrland | 23.5 | 20.2 | 35.7 | 33.6 | -1.3 |
| Central Norrland | 18.0 | 21.0 | 30.3 | 32.7 | +0.0 |
| Northern Central Sweden | 16.3 | 18.4 | 32.9 | 30.2 | +4.5** |
| Stockholm | 12.8 | 15.7 | 32.6 | 30.0 | +5.6** |
| Eastern Central Sweden | 17.2 | 16.0 | 35.2 | 28.5 | +5.6** |
| Småland and the Islands | 18.5 | 20.4 | 30.9 | 32.9 | +0.0 |
| Western Sweden | 17.0 | 17.2 | 28.5 | 28.9 | -0.2 |
| Southern Sweden | 17.3 | 14.3 | 27.8 | 24.4 | +0.4 |
| | | | | | |
| Matching conducted up to and including participation minus 1 year. Outcome: proportion in employment. | 18.0 | 18.2 | 24.7 | 32.4 | -7.5** |
| Matching conducted up to and including participation minus 2 years. Outcome: proportion in employment. | 19.2 | 19.4 | 20.4 | 36.2 | -15.5** |
| Matching conducted up to and including participation minus 0 years. Outcome: income rank 0-100. | 5.0 | 5.0 | 12.2 | 11.0 | +1.2** |
| As above, by region | | | | | |
| Upper Norrland | 5.3 | 5.1 | 13.7 | 12.5 | +1.1** |
| Central Norrland | 5.4 | 5.4 | 11.6 | 12.1 | -0.4 |
| Northern Central Sweden | 4.9 | 5.0 | 12.7 | 11.3 | +1.6** |
| Stockholm | 5.8 | 5.2 | 12.7 | 11.2 | +0.9** |
| Eastern Central Sweden | 4.5 | 4.8 | 14.3 | 11.0 | +3.6** |
| Småland and the Islands | 4.7 | 5.4 | 11.6 | 12.3 | -0.6* |
| Western Sweden | 5.0 | 5.0 | 10.8 | 11.0 | -0.2 |
| Southern Sweden | 4.5 | 4.5 | 10.8 | 9.3 | +1.6** |
| | | | | | |

| | | | | | |
|---|---|---|---|---|---|
| Matching conducted up to and including participation minus 1 year. Outcome: income rank 0-100. | 6.0 | 6.1 | 9.6 | 12.8 | -3.0** |
| Matching conducted up to and including participation minus 2 years. Outcome: income rank 0-100. | 7.6 | 7.7 | 8.2 | 14.7 | -6.4** |
| Individuals aged 16-30 (matching up to participation minus 0 years). Outcome: Proportion in studies | 53.3 | 50.7 | 37.3 | 39.1 | -4.5** |
| Individuals aged 16-30, born abroad or two foreign-born parents (matching up to participation minus 0 years). Outcome: Proportion in studies | 45.0 | 44.2 | 38.7 | 39.5 | -1.6* |
| Individuals aged 16-30 (matching up to participation minus 0 years). Outcome: proportion in employment. | 13.9 | 14.0 | 35.3 | 34.9 | +0.5 |
| Individuals aged 16-30 (matching up to participation minus 0 years). Outcome: income rank 0-100. | 5.0 | 5.0 | 13.7 | 13.0 | +0.7** |

* Significance level: *p <.05; **p <.01

**Every year in Sweden, over one hundred thousand job-seekers are assigned to local labour market policy measures, of which a large proportion are financed with money from the European Social Fund. But what do we actually know about the contents of these projects and their effects on the participants' chances of getting a job? What could be done to improve this knowledge?**

This report constitutes a follow-up of *Labour Market Policies against the Odds* (2014), which studied the labour market outcomes of job-seekers who had been assigned to Social Fund projects by the Swedish Public Employment Service. Here we go a step further and include all individuals who participated in a Social Fund project over a period of three years. The objective is to examine whether the participants' participation in the projects improved their chances of getting a job or affected their subsequent incomes.

We find relatively small – but transient – positive effects of participation in ESF-projects on employment chances and income from work. However, our sensitivity analyses indicate that even these small effects can be questioned. One of the important conclusions drawn in the report is that the opportunities for evaluating the effects of these projects are very limited. The available information on the contents of the projects is poor, and the projects have not been designed in a way that makes scientific evaluation possible. The report therefore concludes with recommendations that could improve the evaluability of Social Fund financed activities.

The thematic group on Inclusion in Working Life is one of five thematic groups funded by the Swedish ESF-Council in order to identify and disseminate effective methods of integration into working life. The group comprises Ryszard Szulkin, Professor of Sociology, Magnus Bygren, Associate Professor of Sociology and Clara Lindblom, Research Assistant.