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

Antoine Bozio

Institut des politiques publiques (IPP)

OECD

Paris – 20 October 2014
Outline

I. The choice of method : the example of Pathways to work

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

1. The example of Pathways to work
2. What lessons?
I. The choice of method

Pathways to work
I. The choice of method

Pathways to work

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

Pathways to work

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

- **Evaluation**
  - Pilots areas selected, programme rolled out in four waves
  - Independent evaluation carried out (IFS, PSI, Natcen)
I. The choice of method

Pathways to work

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

- Evaluation
  - Pilots areas selected, programme rolled out in four waves
  - Independent evaluation carried out (IFS, PSI, Natcen)

- Data collected
  - Surveys carried out before and after the policy
  - Matched with administrative data
I. The choice of method

Pathways to work

Methods

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

Results

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

Pathways to work

• **Methods**
  - Difference in differences
  - Propensity score matching
  - Microsimulation and cost benefit analysis
I. The choice of method

Pathways to work

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

- **Results**
  - Positive impact on employment for the flow (+5-7ppts)
  - No negative impacts on wages
  - No negative impact on self-assessed health
  - CBA positive based on conservative assumptions
I. The choice of method
Pathways to work

Outline
I. The choice of method
Pathways to work
Lessons

II. Multi-instrument policies
WFTC in the UK
Lessons

Figure 1: Outflow rate out of IB (6 month)
Source: Adam et al. (2008)
I. The choice of method

Pathways to work

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

Source: Adam et al. (2008)
I. The choice of method

Pathways to work

**Figure 2:** Outflow rate out of IB (6 month)

Source: Adam et al. (2008)
I. The choice of method

Pathways to work

**Figure 3:** Outflow rate out of IB (6 month)

Source: Adam et al. (2008)
I. The choice of method

Pathways to work

**Figure 4:** Outflow rate out of IB (6 month)

Source: Adam et al. (2008)
I. The choice of method

Pathways to work
I. The choice of method

Pathways to work

- **Evaluation Choice package**
  - Choice from IB recipients to participate or not
  - Very endogenous choice
I. The choice of method

Pathways to work

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

- **Matching**
  - Extremely complete survey and administrative data
  - Propensity matching based on observables
  - Strong identifying assumptions
I. The choice of method

Pathways to work

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

- **Matching**
  - Extremely complete survey and administrative data
  - Propensity matching based on observables
  - Strong identifying assumptions

- **No causal interpretation**
  - Adam, Emmerson and Bozio (2010)
I. The choice of method

What lessons?
I. The choice of method

What lessons?

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

What lessons?

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

- **The issues**
  - Impossible to evaluate choices component
  - Good data not enough to overcome identification issues
  - Impossible to distinguish the impact of components of the package
II. Multi-instrument policies

1. Example of WFTC in the UK
2. Lessons
II. Multi-instrument policies

WFTC in the UK

- Evaluation of EITC and WFTC
  - Similar policies in the UK and the US
  - Much more budget in the UK
  - Much smaller effect in the UK (Blundell and Hoynes, 2003)
II. Multi-instrument policies

WFTC in the UK

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

- **How to explain the discrepancies?**
  - Working tax credits are not unique benefits
  - In the UK, other benefits reduce massively the incentives of WFTC
II. Multi-instrument policies

WFTC in the UK

**Figure 5: UK benefit structure**

*Source: IFS*
II. Multi-instrument policies

Lessons

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

Lessons

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

- **Importance to understand mechanisms**
  - Impact evaluation is important
  - But more important is understanding mechanisms at play
Evaluation of labour market policies: what lessons for innovation policies?

Antoine Bozio

Institut des politiques publiques (IPP)

OECD
Paris – 20 October 2014