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Activation as facilitation

How activation schemes may facilitate the integration of low-skilled unemployed

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Abstract:

This article starts by outlining three different ways in which activation can favour labour market (re-)entry: by improving people's qualifications by strengthening their motivation, or by facilitating access to information about vacancies and jobs. We focus on the third effect, which we term the "facilitation-strategy". We then show the relevance of the facilitation strategy, especially for the low-skilled unemployed. We argue that lack of networks and statistical discrimination are likely to be crucial barriers for the integration of this particularly disadvantaged group. This theoretical point is illustrated with empirical evidence collected from different sources, including the ISSP 2001 survey on social networks, a qualitative study based on interviews with 41 private employers across six European countries and a survey with 1775 Danish companies. The findings support the argument that matching-problems in the labour market are sizeable and that activation policies have some potential to help low-skilled unemployed find jobs in these settings.

1. Introduction:

This article focuses on how activation might facilitate the integration of unemployed, especially low-skilled, into labour markets. By activation we mean compulsory participation in meetings, courses, education or work used as a condition for receiving unemployment benefits or social assistance. Though the amount and content of activation schemes varies across countries, it is a common European trend that unemployed increasingly are required to participate in such programs. A large amount of literature has tried to evaluate whether activation actually increases the job chances of unemployed; the central question has been whether it works or not. However, little has been done in order to theorize *how* activation works. The effect-studies typically just refer to a "qualification" and a "motivation" effect.

It is important to advance the discussion on how activation works. It might be perceived as very logical and uncontroversial to expect a "qualification" and "motivation" effect. However, if one takes a look at this line of reasoning, it becomes clear that the expected

effects originate from theoretical understandings of the problems of the European economies, which could be questioned. A closer look at this line of reasoning also allows one to think of alternative understandings of how activation schemes work. From our point of view the effect-studies often unconsciously adopt a very simplified perception of how labour markets work. Basically, they rely on the assumptions found in neo-classic economics where the labour market basically is perceived as any other market, i.e. there is a demand side and supply side, which meet in a market that clear fairly easily. In contrast, we argue for the relevance of a more sociological understanding of how labour markets work.

The article focuses on the low skill segment of the labour market. We do so for two reasons. The first is that the low-skilled make up by far the largest share of long-term unemployed. The second is that the labour provided by this group is highly heterogeneous and therefore severely challenges the neo-classic assumption of labour being a standard commodity. High-skilled labour is neither a standard commodity but education does standardize these segments somewhat (Spence 1973). Therefore, theoretically, there is a special need to look for alternative ways to understand the labour market for low-skilled. Furthermore, in practice, we think that this need is increased by the simple fact that those who design and evaluate activation schemes (civil servants, politicians, front-line workers and academics) often have very little experience with the very informal markets (see below) in which low-skilled have to sell their labour.

The article is divided into three main parts. First we present our understanding of activation based on three possible effects, qualification, motivation and facilitation (section 2). Then we move on to show that the low skilled unemployed face major obstacles to information about and access to jobs, because of the largely informal quality of recruitment in the low skilled segment of the labour market and because of statistical discrimination (sections 3 and 4). Finally in the third part, we look for empirical evidence suggesting that these effects can be promoted through appropriate activation programmes (section 5 and 6).

2: Theories of effects from activation

Three strategies or understandings of activation will be outlined in this section. The first strategy perceives activation as a way to increase the qualifications of the participants. This can be seen as an investment in human capital. The need for new qualifications have be linked to the discourse of globalisation, where it is stated that due to competition from low-wage countries and technological development it is difficult for low-skilled workers to find job. The second strategy perceives activation as a way to

increase the motivation of those who face compulsory participation in activation schemes. This is labelled a motivation or deterrence effect. Thus, instead of motivating unemployed by increasing the economic incentives it is believed that the threat of participation in activation will stimulate search behaviour prior to activation. The third strategy perceives activation as a way to help persons that are exposed to statistical discrimination and excluded from informal recruitment networks (Romani & Larsen, 2010). The theoretical background for these strategies and the effects they expect are outlined in table 1. The qualification and discipline strategies are well-known. Therefore we will focus on the facilitation strategy.

Table 1: Three ideal types of activation strategies

	Qualification strategy	Disciplination strategy	Facilitation strategy
Supply-side problem:	Lack of qualification	Lack of motivation	Lack of information and problematic group membership
Origin of problem:	Structural change in the economy	The existence of unions and welfare benefits	Asymmetric information, which cause statistical discrimination and recruitment through networks
Activation instruments:	High quality education	Unpleasant meetings, course, education and work	Knowledge, testing, and networking
Effects:	Increased demand among employers after activation	Lowering of reservation wage and increased search activity before activation	Better job match after activation
Theoretical background:	Macro-economics (Schumpeter)	Neo-classic economics (Friedman)	Economic sociology (Granovetter) and modern neo-classic economics (Akerlof, Spence etc)
Favorable context:	Recession	Economic boom	Economic boom
Negative side effects:	Expensive – catch up difficulties	Inequality – inwork poverty	None
Favorable target group:	Low-skilled	“choosy unemployed”	Disconnected and discriminated groups

The facilitation strategy originates from the perception that labor markets are troubled by severe information problem. The information problem is well recognised within modern economic theory. In 2001, Spence, Akerloft and Stiglitz got the Nobel Prize in economics for their work on economic models with lack of information. Most famous is Spence's Job market signalling model (1973). The idea is that employers cannot observe the true productivity of a given worker, which makes hiring a risky business. In such a market the applicants will be judged on some average assumptions about productivity, so-called statistical discrimination (Becker 1973). The media example is a high productive immigrant who never makes it to the job interview due to the fact that the average productivity of immigrant workers is low.

There is an increasing concurrence between this increased recognition of information problems within modern economic theory and the sociological literature on labour markets. The sociological tradition is also concerned with information problems but has especially focused on networks as a way to overcome such problems. The seminal work in this field is Mark Granovetter's book of 1974, "Getting a job". The crucial point is that networks, i.e. ties to family, friends and acquaintances, carry information about job openings (see Calvó-Armengol & Jackson, 2004, for a number of economic studies that also include network). In the Boston area, Granovetter analysed 282 men working in professional, technical, or managerial occupations who had changed job within the last year. The main finding was that informal network were used intensively when these workers got a new job. The high degree of informal recruitment has been confirmed by a number of following studies (see Granovetter, 1995, Lin, 1999, or Marsden & Gorman, 2001 for an overview).

Inspired by these two theoretical traditions, which have highlighted the importance of information problems, the facilitation strategy perceives activation as a tool to improve the effectiveness of job search strategies processes, by relying on networks in order to access to information and to fight discrimination. Thus, activation schemes might be an effective way to help persons that are exposed to statistical discrimination and who are excluded for networks. It is naturally very difficult to tell whether lack of qualification, lack of motivation or statistical discrimination/exclusion from informal network is the largest barrier for the integration of low-skilled unemployed into the labour market. By definition low-skilled unemployed have modest or no formal qualifications. And the low pay in this segment of the labour market clearly also lowers the economic incentives to work. However, as will be argued below, low skilled unemployed people face some formidable obstacle to employment in the matching process. If activation can

remove them or at least contain them, access to employment may be considerably easier for them.

3: Are networks important for low skilled unemployed people?

There is a large body of evidence indicating that networks (often labelled social capital within the sociological tradition) are positively correlated with labor market outcomes such as wages, job prestige, and job satisfaction (for a review see Grannovetter, 1995; Lin, 1999a/b; Marsden and Gorman 2001). For example, numerous studies confirm that the status of the job contact person consistently seems to affect the job prestige of the individual (Bian 1997, De Graaf and Flap 1988; Ensel 1979; Lin et al. 1981; Marsden and Hurlbert 1988, Völker and Flap 1999; Wegener 1991) and wages (Boxmann, De Graaf, and Flap 1991; Burt, 1992; Campbell, Marsden, and Hurlbert 1986; Flap and Boxman 2001; Green et al. 1999; Lai et al. 1998; Lin and Dumin 1986; Völker and Flap 1999).

A number of detailed single-firm studies have also shown that applicants who were referrals from current employees had a higher probability of being hired than the non-referrals. Fernandez and Weinberg (1997) studied a bank, Fernandez et al. (2000) studied a phone centre, and Petersen et al. (2000) studied a high-technology firm. Fernandez and Weinberg (1997), for example, analysed the hiring process for 326 jobs at a single retail bank and found that while non-referred applicants had only 6-percent chance of getting a job, applicants who were employee referrals had a 32-percent chance.

The importance of networks has been widely documented, but we can assume that the impact of networks on employment varies across labour market segments. For instance, we can expect recruitment procedures in different segments of the labour market to take different routes. Companies wishing to recruit highly skilled professionals whose quality can impact on the company success may be willing to invest substantial amounts of money in order to find suitable candidates, and pay private employment agencies and place advertisements in the press and on specialised internet sites. In relation to the population that is of interest to us, however, this is rather unlikely. The recruitment of low skill people is likely to be based on low cost strategies for at least two reasons. First, today in Europe labour markets are characterised by an oversupply of low skill labour, as shown by the higher unemployment rate of this category of the population (Abrassart 2011). Employers wishing to recruit this type of workers need not to search at length. Second low skill jobs, by definition do not require particularly sophisticated skills, these are jobs that “anyone can do” perhaps after a few days training.

And in fact, the available data suggests that networks and other informal channels are particularly important for low skill people. Data collected in the 2001 ISSP survey on social networks the channel through which respondents had first heard of their current (or last) job shows that in most countries covered, majorities had accessed this information through an informal channel: either a personal contact (relative, friend, acquaintance) or found out through an unsolicited application. Table 1, which provides this data for a selection of the countries covered, shows clearly that in all of them low skill individuals are considerably more likely than their better educated counterparts to access employment through informal channels.

There are also large cross-national variations in the overall proportion of individuals who have used an informal channel to find their job. However, the education effect is present in each country, and with the same sign (negative, i.e. the more educated some is, the less likely they are to have found their job through an informal channel.

Table 1: Percentage of employed (and formerly employed) persons having first heard about their job through an informal channel (personal contact or unsolicited application) by education level. Countries ranked according to total level.

	Low	Intermediate	High	Total
Australia	44	35	26	37
Great Britain	47	37	22	40
Switzerland	64	46	35	46
Denmark	55	41	58	47
Finland	58	48	41	49
Germany (west)	54	43	36	50
Netherlands	49	43	42	55
Canada	67	58	41	56
USA	70	63	50	61
Hungary	69	59	32	63
Czech Republic	65	63	49	67
Italy	83	71	53	68
Spain	81	74	69	78

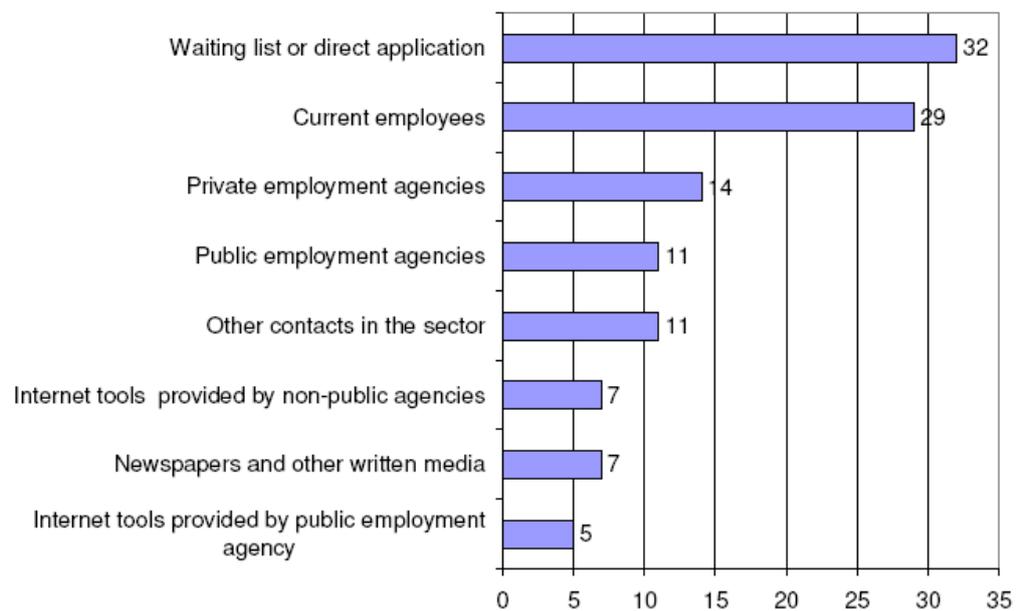
Note: Other possible sources of information were: public employment agency, private employment agency, school or university office, advertisement, contact by employer. The options “Don’t know”, “Never worked” and “Refused” are excluded.

Source: ISSP 2001, data not weighted

That informal channels and particularly networks seem play an important role has been found also in a recent qualitative study on recruitment processes among employers who

rely predominantly on low skill labour in Europe¹. As shown in figure 1, key channels are referrals by own employees and direct (unsolicited) applications. These channels are among the most often used for the vast majority of employers.

Figure 1: Most often used recruitment channels by employers relying predominantly on low skill labour. Multiple answers were possible (N =38)



Source: Bonoli and Hinrichs 2010.

¹ In this study, carried out in 2009, 41 employers relying predominantly low skill labour were interviewed on the basis of a semi-open questionnaire. Employers were based in 6 European countries (Denmark, Germany, Italy, Hungary, Slovenia and Switzerland). The sample included companies of different size (from very small ones to large companies with 1000+ employees), and operating in different sectors. Examples include cleaning companies, food processing industries, restaurants, supermarkets, other manufacturing industries. The survey was carried out in the context of the network of excellence RECWOWE (Reconciling work and welfare in Europe), by Christian Albrekt Larsen, Michel Berclaz, Giuliano Bonoli, Nevenka Černigoj Sadar, Miroљjub Ignjatović, Karl Hinrichs, Vera Messing, Jacob J. Pedersen, Katalin Tardos, Patrik Vesan, Valeria Sparano, A. Caroline Warfelmann, and Sabine Wichmann. More information is provided in Albrekt Larsen and Vesan (2011) and Bonoli and Hinrichs (2010).

As shown here, networks and more in general informal channels are important for low skill people, but what role do they play for the unemployed? In fact, only a few studies have directly analysed the link between networks and the transition from unemployment to employment. We have only been able to find four such studies, Sprengers, Tazelaar and Flap (1988), Korpi (2001), Brandt (2006) and Albrekt Larsen (2008, 2009). All four studies find a negative correlation between the size of networks of unemployed and unemployment duration. Sprengers Tazelaar& Flap (1988) conclusions were based on a panel study of 242 unemployed Dutch males, Brandt's on a panel study study of 222 German unemployed Korpi's (2001) used a panel study of 647 unemployed in Sweden and Albrekt Larsen (2008) used a combination of register and survey data among 482 unemployed in Denmark (expanded in 2009).

This field is not without methodological problems. The observed (negative) link between network size and duration of unemployment may be spurious. It may be the case, for instance, that having a large network of friends correlates with some personality traits that are sought by employers, such as good interpersonal skills, and that this is what explains the relative success of well-connected unemployed people. More in general, Mouw (2003) has argued that much of the observed effect of social capital on job quality is due to homophily, i.e. the tendency of similar people to be friends. Therefore the applied statistical techniques have become more sophisticated.

While more research is arguably needed in this field, the hypothesis that a good network can be of help during an unemployment spell remains plausible, and is compatible with the results obtained in the four different studies mentioned above. Naturally, the question is to what extent low-skilled unemployed people are connected these informal routes of recruitment. This is difficult to investigate but a large Danish survey clearly indicates that long-term unemployed lose their contact with former colleagues and employers. The study also showed that long-term unemployed who do find jobs make extensive use of informal channels whereas those who stay unemployed often rely on formal channels in the search for jobs (Larsen & Pedersen 2009).

The evidence presented in this section supports our claim that networks and informal channels are likely to play a key role in determining how low skilled unemployed people access employment. One big difficulty they face is the low degree of transparency of the labour market segment in which they operate, meaning that information concerning openings is not easily available and must instead be obtain through the sort of informal channels discussed above. This factor constitutes a big

difficulty for low-skilled unemployed people, but unfortunately, as we will see next, it is not the only one.

4: Unemployment and low-skills as negative signals in the recruitment process

Low skilled unemployed people looking for jobs face an additional hurdle. Assuming that they manage to gain knowledge of openings, they still need to convince prospective employers to give them a chance. We know, from an extensive literature on recruitment processes in general, that both characteristics (being low skill and being unemployed) tend to be seen as negative signals by employers, making it more difficult to gain access to jobs for the population we are interested in.

In this respect, the notion of statistical discrimination is of great importance. It refers to the fact that employers when selecting candidates for a position, tend to make judgments based on the perceived characteristics of the groups a candidate belongs to. Several empirical studies have documented this effect. The methodological most stringent studies are based on the technique known as ‘paired resume (or CV) audit’. The CV are identical and differ only in relation to the feature that is supposed to be used for discrimination. These studies have mostly focused on the importance of ethnicity, gender and age and in general find ample evidence for discrimination (Lahey 2008; Neckermann & Kirschenman 1991; Pager and Quillian 2005). Another technique is to use unexplained variance in wages as an indicator of discrimination and again there has especially been a focus on ethnicity, gender and age. The evidence of discrimination of the group of especial interest for us, low-skilled long-term unemployed, is more modest. However, there are good theoretical reasons to expect that both unemployment and lack of education is a negative signal.

Being seen as being part of the group of “the unemployed” is likely to constitute a big disadvantage for jobseekers. This group membership is problematic because the unemployed are typically perceived as low quality employees, or, with a term used in the economics literature, “lemons”. The notion of “lemon” (in American English a badly assembled car) is used by Akerlof in his famous article about the market for used cars (1970). The logic is that the seller knows something about the car which the buyers do not know, i.e. whether it is a lemon or not. And the owner has a clear incentive to hide the fact if the car actually is a lemon. Therefore buyers are extremely cautious when buying a used car. The same logic applies to labour markets. Other employers have a clear incentive to get rid of unproductive workers, which makes unemployment a very problematic signal. And as with used cars, employers have difficulties in distinguishing between “lemon” and “non-lemon” unemployed. These signal-effects have e.g. been used to explain the finding that it is much easier to find jobs for unemployed from a closed down workplace than for unemployed from a workplace that

has only reduced the workforce a little (Gibbons & Katz 1991, Frederiksen et al. 2006). The argument is that in the latter case, the new employer will suppose that the former employers have probably fired the least productive workers in their workforce, whereas in the case of company closure, more productive workers will also be among the unemployed. This perception of ‘lemons’ in the market is also believed to be one of main reasons as to why Public employment services are often avoided by employers (Larsen & Vesan: forthcoming).

We have not been able to find empirical studies, which directly focus on discrimination of unemployed people using the classic ‘paired resume (or CV) audit’ method. However, a Danish study did find that employers perceived the risk connect to recruitment to be much higher when they recruited from long-term unemployed than from all-aged (above 50 years old) unemployed or from unemployed that belong to ethnic minorities (Alberkt Larsen 2008). In a qualitative study (see footnote 1 above for details), employers where asked whether given features (immigrant status, old age and being long term unemployed) were associated with a higher risk of hiring a problem employee. The only feature that was openly recognised as being used as a negative signal was being long term unemployed (by 10 out of 40 employers interviewed). The reasons given refer precisely to the signalling role of unemployment status.

For example, according to the manager of a Swiss chain of Cafes:

“... if someone has not found anything for a long period of time there has to be a problem in addition to job loss — most frequently a lack of motivation” (CH6).

Similarly, the manager of a Hungarian industrial company thinks that:

“The question [is] why the person was unemployed for such a long period of time. ... You start to wonder why other employers have not employed the person. What did the other employer detect that I might have missed to recognise? Naturally, they are in a more difficult situation, and they need to convince us during the interview that they can bring positive results for employment. They have to convince us that there is no specific reason why others have not employed the person” (HU1).

Theoretically, there are also good reasons to believe that lack of education is also a negative signal. Education can work as a signal regardless of the effective skill requirements of a job (Spence 1973). In this model, employers regard (successful) investment in education as a signal of motivation and ability. Highly productive workers are seen as inclined to invest in education, so that education functions as a selection

mechanism even when education per se does not contribute to productivity. Using Akerlof's term, education is simply a guarantee for avoiding 'lemons'.

There is evidence that being a low skill person is seen as a negative signal in the literature focusing on labour market displacement. Some studies have shown that when medium skill jobs are lost in an economy, employees with intermediate skills tend to turn to low skill jobs and be more successful than low skill people in obtaining them (Gestuizen et al 2010 ; Abrassart 2011). This effect, known as displacement, suggests that possessing better skills (formal, cognitive, non-cognitive skills) is an advantage when competing for jobs that do not necessarily require such skills. It can be explained with reference to the assumed signalling function of education.

The population that is of interests to us, low skilled unemployed people, faces formidable obstacles to labour market entry. First, in the labour market segments in which they can find jobs, information concerning job openings circulates essentially through informal channels. Second, both defining characteristics of the population, being unemployed and being low skilled, are regarded by recruiters as negative signals. We believe that a successful activation strategy aiming at genuinely improving labour market prospects for this group must address these hurdles.

5: The facilitation strategy in current activation policies

So far it has been argued that exclusion from networks and statistical discrimination are barriers that severely lower the employment chances of low-skilled unemployed people. Therefore we expect activation to be effective if participation in the available programs is able to lower these barriers. The key idea behind the facilitation-strategy we presented above is precisely to do this (see table 1). Two categories of labour market programmes can be expected to be helpful in this respect: assistance in job search and (subsidized) trial periods with potential employers. Now, it turns out that these two categories of measures are those that consistently come out as the most effective in the evaluation literature. They are briefly discussed next.

Job search assistance schemes

Job search assistance schemes of various types have been evaluated positively including in randomised controlled experimental settings. This has been the case in many different contexts. In the US welfare to work evaluations of the 1990s, programmes emphasising job search came out as more effective (Greenberg et al. 2005; Hamilton et al 2001). Similar findings were obtained in Europe. Two large-scale Danish experiments have e.g. shown that by intensifying the frequency of meetings with job search personal, the job-chances of unemployed increase significantly (Graversen & van Ours 2008;

Rosholm 2008). A French experiment, based on a relatively low staff to unemployed ratio (1/60) and weekly contacts also produced positive results (Behaghel et al 2009). More in general, meta-analyses have also found job assistance schemes as some of the most effective interventions (Kluve 2006; OECD 2006).

Why are job search assistance schemes so successful? One plausible answer is that they have the capacity increase the knowledge that unemployed people have about the functioning of the labour market. Instructors in (good) job search courses might e.g. increase the awareness of negative signals, encourage the appropriate use of networks, help jobseekers in obtaining information about vacancies through informal channels etc.. Of course, it could also be the case that job search assistance schemes are effective because they reinforce the control of and put more pressure on the unemployed, who are then more likely to accept jobs offers they might have declined in the absence of such pressure. This explanation is also plausible, but does not rule out a facilitation effect.

Subsidised trial periods

Together with job search assistance schemes, time limited subsidised jobs have also been evaluated positively in a large number of studies. Impact-studies and meta-analyses have found such testing periods in private companies to be one of the most effective activation instruments (e.g. Martin and Grubb 2001; Kluve 2006; Card 2010; Kluve 2010; Albrekt Larsen 2001). These studies, though, have actually done little to explain these positive effects. The effect could be caused by increases in qualification and motivation (see table 1) but it could also be interpreted as what we label a facilitation effect. With reference to Akerlof a long period of test driving is likely to decrease the lemon-fear and thereby reduce the level of statistical discrimination. And with reference to Grannovetter, a test driving can potentially create networks between ‘excluded’ unemployed and ‘included’ employed.

We hypothesise thus that one reason why subsidised trial periods seem to work is the fact that they allow unemployed people to overcome the barrier of statistical discrimination. Employers have the opportunity to test candidates at relatively little cost. For this effect to work, employers must not be under the obligation to hire on a permanent basis the candidate after the subsidised period. Of course it is difficult to isolate this effect in analyses of labour market programmes, and to our knowledge no studies have so far been carried out on this particular aspect. In the next section we look at some empirical evidence on this.

6: The (untapped?) potential of the facilitation strategy. Some empirical evidence

Improving access a hidden labour market

As seen above, an important difficulty faced by low skilled job seekers is the hidden quality of much of the labour market segment in which they operate. Information concerning openings tends to be shared through informal networks. Many employers hire through contacts of their own employees. Under such circumstances, it is difficult to see how people who are excluded from the relevant networks can obtain the relevant information.

Some providers of job search assistance schemes seem to take this aspect seriously. A method used by some Swiss providers, for example, is based on the collection of information through informal channels. It encourages job seekers to identify a few persons who work in a sector / company of interest, to contact them in order to obtain information, and to obtain from each of them 3-4 names of additional contacts. This method allows job seekers to obtain information and develop an expanding network of contacts working in the targeted sector. The method had originally been developed by career management consultants mostly for high skill people. However, the hidden quality of the low skill segment of the labour market makes it particularly appropriate for activation. The providers who apply this method have obtained good results with disadvantaged unemployed people.

Additional evidence that activation could foster the development of a network of useful contacts comes from Danish study focusing in former unemployed who successfully found jobs. Some of them were able to find jobs through contacts they made while enrolled in a labour market programmes. The proportions are relatively low: 6-7% of those who found a job mentioned former activation colleagues as the source of information (Alberkt Larsen 2008). However this effect was probably not explicitly sought, suggesting that labour market programmes aiming at reinforcing the useful network of participants may be more effective.

Testing as a tool to overcome statistical discrimination

Our hypothesis is that employers are more likely to hire a low skilled unemployed person, if they have the opportunity to observe them in work setting for a sufficiently long period of time (test). For the test to work effectively as a way to overcome the

barrier represented by statistical discrimination, it is important that that the test comes with little cost and commitment from the employer. In particular, if the test is unsuccessful, it is important that employers can terminate the employment relationship with a minimum of hassle.

The information collected in a qualitative study based on interviews with 41 employers relying predominantly on low skill labour (see footnote 1 for details) lends some support to this hypothesis.

The employers were given the following introduction: “Even though there are special risks connected to hiring long-term unemployed, older unemployed and unemployed from ethnic minorities groups some workplaces do recruit from these groups. In the following, we would like to hear what potentially could make your workplace more willing to take the risk of hiring from these groups”. This was followed by a completely open question and a question about what public employment services could do. Then we directly asked whether “it would increase the employment chance of these groups if the employment office could offer a publicly financed trial period”.

In general, most employers were sympathetic to the idea of a publicly financed trial periods. But they were so for various for reasons. A number of employers focused solely on the reduced labour cost. A Hungarian employer e.g. simply stated that “*Yes, this means less cost for me. Business is about money and people*” (HU2). An Italian manager of a call centre had the same logic:

“Surely yes, because it would reduce labour costs. Any measure aimed at reducing labour costs – such as public financed trial periods, tax reliefs and economic incentives or public financed training – would certainly help” (IT7).

However, the majority of the employers focused on the lower risks in the recruitment decision, which is believed to be important within the facilitation strategy. Some of these employers combined the focus on economic incentives and the lowered risk. An Italian employer (a manufacturing company producing electronic goods) e.g. argued:

“It would probably help, since companies would try for free workers that they might not otherwise choose to hire and after a trial period it is highly probable they will hire such persons if they proved to be suitable for the job” (IT5).

Similarly, according to the owner of a small supermarket in Germany:

“At the very least, support from the state would be helpful so that these people could, for example, complete a long-term internship with us. ... Then we aren't carrying the risk alone. If we could ask for the state's help for the trial period of getting to know someone that would be helpful. Then we could hire these people.” (GE 5).

And in the words of a Slovenian employer (a small cleaning firm):

“Yes, this would reduce the risk to hire incompetent workers and reduce cost for employers. At the same time it would enable employers to get more information about the potential employee in the trial period which is important for future decision to offer such worker a permanent contract” (SL2).

None of the employers dismissed such a subsidised trial periods on the basis of the argument that they found no value in testing employees, though some were sceptical for other reasons. The owner of a small construction company in Switzerland for instance said that:

“I don't believe in subsidies. Either a person is ok and works well, in which case and I hire him, or he is not ok, and I don't hire him.”(CH7)

Other sceptical employers were more worried about the opportunity to use the scheme as an effective test ground or by being overwhelmed with red tape and administrative hassle. Some were worried about being expected to hire the candidate after the trial period. According to owner of a Hungarian small cleaning company:

“if there were absolutely no further obligation to employ these people later on, I might think about the opportunity. Not so much because of my financial benefits, but because maybe such a scheme would motivate people to enter employment” (HU1)

The test function of the “subsidised trial period seem to be a key element in employers' interest in such a scheme. This hypothesis is further supported by the fact that some employers acknowledged using temporary work as a testing ground for their future employees. The HR manager of a Swiss company producing industrial machines said that:

“We like to use private placement firms for an interim contract at the beginning especially for low-skilled workers, and then if the person shows good qualities and if we need him or her, then we hire him or her” (CH4).

A similar point was made by the owner of a construction company in Switzerland ...

“We use a two months trial period through a private placement agency before hiring someone. It makes it easier to fire him, if the test is not conclusive” (CH7).

.. and by the HR manager of a food manufacturing plant in Germany:

“We have also previously worked together with temporary employment agencies. That’s how unskilled employees worked in our establishment and when they were here for a while and were good, we hired them” (GE6).

Other employers pointed out that relying on private agencies for their (temporary or permanent) personnel needs was a rather expensive option, and preferred to use other channels. The impression we got from the qualitative survey was that it is mostly large companies who can afford this type of recruitment strategy.

Recruiters seem to like prolonged tests in general as shown by the interest for temporary work as a testing ground. However, the ability to test, or to observe a prospective employee in a work setting for a prolonged period, seems to be a key factor in facilitating employers’ willingness to hire a person who belongs to a group rightly or wrongly perceived as being less productive or more problematic. This view is further confirmed by a Danish study based on a survey carried out among 1775 private employers that answered a postal questionnaire in 2006 (see XXX for technical details). The Danish employers are familiar with the possibility of such publicly financed testing periods (job training) and they were asked to consider the effect job training might have on qualifications, motivation as well as job match. The employers were asked in the following way: “Job training, i.e. hiring of unemployed with wage subsidy, influence the job chances of the unemployed. How do you judge the importance of the following factors; 1: Job training gives unemployed new qualifications, which are necessary for recruitment; 2: Job training gives unemployed the work motivation back; 3: Job training gives unemployed the possibility to show their professional abilities; 4: Job training gives unemployed the possibility to show that the “chemistry” fit with the others in the

company”. The latter two items, which include the term “show” try to measure the job match dimension of testing periods. The employer answered on a four point scale and the overall results are shown below.

Table 2: Employer-perceptions of how testing periods increase job chances of unemployed . Danish private employers 2006. Percentage and percentage difference

	Of decisive importance	Of great importance	Of some importance	Of low or no importance	Do not know	N (not weighted)	Percentage difference (1, 2 – 3,4)
1: Gives necessary qualifications	11	42	31	9	7	1709	+15
2: Gives job motivation back	15	44	24	7	10	1702	+28
3: Gives possibility to show professional abilities	17	47	24	7	5	1712	+33
4: Gives possibility to show that the “chemistry” is right	14	48	26	7	6	1711	+29
<i>1: Experienced: Qualification</i>	<i>14</i>	<i>33</i>	<i>39</i>	<i>0</i>	<i>14</i>	<i>38</i>	<i>+8</i>
<i>2: Experienced: Motivation</i>	<i>20</i>	<i>34</i>	<i>20</i>	<i>11</i>	<i>14</i>	<i>38</i>	<i>+23</i>
<i>3: Experienced: Show abilities</i>	<i>19</i>	<i>44</i>	<i>19</i>	<i>0</i>	<i>17</i>	<i>38</i>	<i>+44</i>
<i>4: Experienced: Show chemistry</i>	<i>22</i>	<i>36</i>	<i>22</i>	<i>6</i>	<i>14</i>	<i>38</i>	<i>+44</i>

Note: Weighted for size and branch

Note: “Experienced” refers to employers how within the least year have had unemployed in job training.

Overall the Danish employers were positive towards the effects from job training and they believed in the importance of all the mentioned effects. On all four items the most common answer is “of great importance”. Based on these findings one could argue that at least the Danish employers both believe in activation as a qualification-, motivation- and facilitation-strategy. However, there is a variation in the weighting of the different effects. The suggestion that job training gives the necessary qualifications received the least support; 9 percent found this to be of low or no importance and 31 percent found it to be of only some importance. The percentage difference one gets by subtracting the share that gives these answers from the share that answer either “of decisive” or “of great importance” is +15. On the other three items this percentage difference is +28, +33 and +29. This indicates less believes in the qualification effects and equal belief in the motivation effects and the job-matching effects.

However, this pattern changes if one look at the 38 employers who actually have had unemployed in job training within the last year. One could argue that these employers are more qualified to answer the questions as they have a recent experience. On the one hand these experienced employers gave less importance to qualification and motivation effects. The percentage difference was respectively +8 and + 23 compared to +15 and +28 among all employers (see table). And on other the hand, these experienced

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employers gave more importance to the effects of unemployed being able to show professional abilities and right “chemistry” . The percentage differences were respectively +44 and +44 compared to +33 and +29 among all employers. Thus, if one is to believe the judgment of these experienced employers, the job-match-effects of testing period is of more importance than the motivation and especially the qualification effects.

Finally, we have also analyzed whether the job-matching-effects of testing period are perceived as more important among employers who have a large share of low-skilled employed. This could be expected from the theoretical arguments discussed in the introduction. This, however, turned out not to be the case. The 55 employers where low-skilled made up 60 to 100 percent of the work force were in general less inclined to give importance to the effects from job training: the percentage differences are respectively +11, +7, +9 and +9. Furthermore, these employers seem to pay equal importance to the four suggested effects. Unfortunately, there are too few experienced employers to make detailed analyses of the effect from the size of low-skilled in the company. Thus, these findings do not support the idea that the facilitation strategy would of special relevance in the low-skilled segment of the labour market.

7: Conclusion - discussion

In this paper we have argued that activation can promote labour market participation through three different channels: by improving the qualifications of beneficiaries, by increasing their motivation or by facilitating access to information about vacancies and by reducing the impact of the stigma attached to unemployed status. Of course, it is difficult to quantify the potential behind each of the three activation channels or strategies, and it may be the case that the potential of the facilitation strategy is rather limited.

The empirical information provided suggests nonetheless that low skilled unemployed people are strongly disadvantaged when it comes to access information about jobs they can do and when it comes to overcome the statistical discrimination practiced by recruiters. Under such circumstances, it seems plausible to argue that the facilitation strategy does have some potential. In addition, relative to other strategies, it has less negative side effects. As shown in table 1, an activation system based on the motivation strategy may result in higher levels of inequality. One based on qualification may be costly and not so effective. Against this background, it seems worthwhile to invest in the facilitation strategy.

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