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**‘EVIDENCE BASED LABOUR MARKET POLICY – THE DANISH  
EXPERIENCE’**

Peer Review on “Evaluation of labour market policies and programmes:  
methodology and practice”

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# 1 IMPORTANCE OF EVALUATION AND GOVERNANCE STRUCTURES

*This paper has been prepared for a Peer Review within the framework of the Mutual Learning Programme. It provides information on Denmark's comments on the policy example of the Host Country for the Peer Review. For information on the policy example, please refer to the Host Country Discussion Paper.*

With respect to employment policy, the Danish governance structure has three levels.

At the *national* level the Ministry of Employment has the overall responsibility for measures in relation to all groups of unemployed persons, i.e. both unemployed persons on social assistance as well as unemployed persons receiving unemployment benefits.

The Ministry has a rather small central department, which mainly acts as a secretariat for the Minister, while the National Labour Market Authority (NLMA) has the direct responsibility for policy implementation and also supports the department with respect to policy design.<sup>1</sup>

At the *regional* level, four Employment Regions, which are part of the state apparatus, are supervising and supporting the 91 jobcentres at the *local* level. The latter are the responsibility of the 98 Danish municipalities, who in a few cases cooperate in running a joint jobcentre. The jobcentres have the direct contact with the unemployed and with employers and thus play a core role for policy implementation. The Danish tradition is for rather independent municipalities, where the board is elected locally and has the right to collect taxes. Therefore the interplay between the national government and the municipalities is a permanent issue with respect to design and implementation of employment policy.

At all levels the administrative system is mirrored by a system of tri-partite councils. At the national level there is the National Employment Council. Similarly one finds Regional Employment Councils and Local Employment Councils. They all have mainly an advisory role, but also control minor resources for establishing their own activities including evaluations.

## *Evaluations as part of the system of governance*

Important tools for governing the design and implementation of the programmes delivered by the jobcentres are of course legal instruments (rules and regulations). Equally important are economic incentives due to the fact that the state refunds part of the local expenditures for labour market measures. By applying different rates of refund for different measures, the Ministry thus has a strong influence on the local priority given to different programmes. The NLMA has also devised an elaborate statistical system, which allows for a detailed monitoring of the both the activities of the jobcentres and of their results.<sup>2</sup> By example the monitoring system contains a clustering of the municipalities into groups with similar framework conditions and thus supports the benchmarking of the jobcentres.

Within this framework, evaluations are conceived as a further important tool for assisting actors at all levels of the system in improving the design and implementation of active labour market policy. Evaluations can be conducted at the national, the regional and the local level.

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<sup>1</sup> In addition the Ministry has a number of other agencies, for instance The Danish Working Environment Authority and the Danish Pensions Agency. For an organisational overview of the Ministry of Employment, see the Ministry's website ([www.bm.dk](http://www.bm.dk)), which has a section in English.

<sup>2</sup> The monitoring system ([www.jobindsats.dk](http://www.jobindsats.dk)) has public access.

At the level of the department of the Ministry of Employment, one section (the “analytical unit”) is responsible for general labour market monitoring and forecasts and for economic impact assessments of different policy proposals.

However, the most important actor with respect to conducting systematic evaluation activities is the NLMA, where two sections cooperate in designing and implementing evaluations of the various programmes (counselling, wage subsidies, labour market training, etc.). In addition evaluation activities will also take place at the regional and local level.

The staffs involved at all levels are civil servants, typically with a background in economics. No researchers are employed in the Ministry of Employment itself, in the Employment Regions or the job-centres.

Due to the numerous actors involved in setting up evaluations, it is difficult to get an estimate of the total use of resources for evaluation activities. The Department of the Ministry of Employment has a fund for research and evaluation of 8 mill. DKK (1.1 mill. Euro) in 2011, while the NLMA has a fund of 130 mill. DKK (17.4 mill. Euro). The latter is both for model-projects and evaluation.

#### *The increasing emphasis on evidence-based policies*

The NLMA has in recent years laid increasing emphasis on evidence-based policy formation and is right now working on developing a new strategy for strengthening this.<sup>3</sup> The strategy underlines the importance of a solid knowledge base for employment policy and operates with a hierarchy of knowledge going from “strong” or “moderate” evidence over “indications” to situations, where there is “conflicting evidence” or “no evidence at all”.

The strategy structures a number of existing activities, but also aims at developing new tools, for instance in the form of a “knowledge bank”, which provides meta-evaluations of different measures based on both Danish and international evaluations. Below some of the elements of the strategy are discussed in more detail.

There is thus a strong ambition to utilise evaluations as a basis for evidence based policies, and one can also find a number of examples, where evaluation results have lead to concrete changes in policy priorities or to adjustments of an existing programme. However, one should also add that evaluations are still conducted in an ad hoc fashion and thus do not constitute a systematic element in the Danish policy cycle. Also there are – as in other countries – many examples of policy changes, which have not been guided by solid evidence, but by other forces at play in the political process.

## **2 ASSESSMENT OF APPROACH TO LABOUR MARKET POLICY EVALUATION AND IMPACT ON POLICY MAKING**

As mentioned, the NLMA is the main actor responsible for the evaluation of individual programmes. A steering committee composed of representatives from all sections in the NLMA meets four times a year to discuss ongoing evaluation projects and the need to evaluate different programmes. No formal overall evaluation programme is defined and there seems to be no permanent formal links to the evaluation activities initiated by the regions and the jobcentres. However, given the limited number of actors involved and the – by international standards – small scale of the governance system as a whole, the need for more formal coordination is probably reduced. But the informality of the procedures applied

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<sup>3</sup> These efforts have probably also been stimulated by a rather strong criticism of the activation programmes for unemployed recipients of social assistance and the lack of systematic evaluations hereof published by the Audit of the State Accounts in October 2010 and April 2011 (see [www.rigsrevisionen.dk](http://www.rigsrevisionen.dk)).

could entail a risk of a lack of comprehensive overview over both evaluation methods and results from evaluations.

When the NLMA has decided to conduct a specific evaluation, contact is made with a potential external evaluator, which can be a university, an independent research institution or a private consultant. Evaluations are never conducted in-house in order to increase the credibility of the results. A formal tendering procedure is not used, but some of the external evaluators are “pre-qualified” through a so-called framework-agreement with the NLMA and the Employment Regions, which covers a wide range of consultancy services. The lack of an open tendering procedure specifically for evaluations of course reduces the transaction costs, but also increases the risk of not getting the optimal output from the resources allocated to evaluations.

Finally, evaluation projects are typically followed by a group of stakeholders, which can include staff from the NLMA, the employment regions and external experts.

#### *Methodologies applied in evaluations*

The methodology applied in a specific evaluation project is defined by the NLMA, which has also formulated a number of general methodological guidelines to be followed. The major forms of evaluation are:

- Research reviews (or meta-evaluations) which collect and systematise the existing knowledge about the effects of a specific kind of programme (like counselling or job-training). Reviews will draw on both Danish and international literature. The NLMA has in recent years aimed at covering all the major types of programme through such systematic reviews, which are typically done by researchers.
- Randomised experiments where the impact of a specific programme is estimated by comparing a group of participants and a control group with respect to the desired outcomes of the programme
- Register-based evaluations, where statistical methods are applied to isolate the impact of the programme. The many administrative registers found in Denmark and the rather liberal rules for combining them provide rich options for applying this methodology. By example, the Ministry of Employment has built its own longitudinal data base with labour market histories of all individuals, who have at one time received unemployment benefits or other sorts of public income support since 1991. The database also has information on a weekly basis of participation in active labour market programmes and thus permits the use of advanced time series analysis in assessing the impact of the different programmes.

While Danish evaluation activities for many years were dominated by register-based studies, the randomised experiments have in the last three to four years increasingly become the “gold standard” for the NLMA in the sense that the results from these are conceived as the strongest form of evidence. This does not imply, however, that other methods are abandoned, also because of the high costs involved, when conducting controlled experiments. But the NLMA makes a distinction between:

- Inspiration projects, which are typically initiated by the jobcentres, have a loose format and are evaluated applying various forms of register based or quasi-experimental methods. Here one can only get indications for the impact of the programmes.
- So-called “model-projects” which are more structured in their format and also are evaluated applying various forms of register based or quasi-experimental methods. The aim is to provide indications or maybe even some moderate evidence for the impacts. Evaluations follow a defined procedure and are typically supervised by the NLMA.
- Controlled experiments, which follow the established procedures for randomisation, etc. They are typically initiated by the NLMA.

One should add that the NLMA is aware of the risks of focusing solely on impact-oriented evaluations, where the actual activities and processes that lead to the observed impacts are in a “black box”. The ambition is therefore also to include more process-oriented evaluation methods, which draw on disciplines other than economics and econometrics (like sociology and anthropology). However at present, there is a clear dominance of economists both within the NLMA-staff responsible for evaluations and the external evaluators.

#### *Dissemination of evaluation results*

The NLMA publishes all evaluation reports on its public website. In addition evaluation results are communicated in a regular newsletter from the authority. It is also planned that the above-mentioned “knowledge-bank”, which is still under construction, will have public access.

Emphasis is furthermore put on disseminating the results from evaluations throughout the whole organisation including the jobcentres. This is done by:

- Regular campaigns focusing on the design and impact of specific programmes.
- Regular conferences on employment policy arranged by the NLMA and the Employment Regions.
- The ongoing dialogue between the Employment Regions and the jobcentres.

The priority given to such forms of “soft regulation” must be seen in the light of the above-mentioned relative political and administrative independence of the jobcentres from the national authorities.

### **3 ASSESSMENT OF THE SUCCESS FACTORS AND TRANSFERABILITY**

The key success factors Identified in the Host Country Discussion Paper are, to a large degree, also relevant in the Danish context. There is thus clearly an ambition in the NLMA and in the organisation in general to strengthen the knowledge base for employment policy at all levels, also at the local level. Due to the relative independence of the local jobcentres in the municipalities, this is seen as a key priority. It seems however that evaluations are not carried out as routinely as in the United Kingdom, which maybe to some degree is balanced by the detailed monitoring system applied by the NLMA.

In terms of resources allocated to evaluations, it is somewhat difficult to get a full overview, also due to the fact that evaluations are initiated at all levels of the organisation. Again, the NLMA is aiming at streamlining the procedures and methodologies involved.

Given that the major part of the evaluation activities are initiated by the NLMA, which also plays a key role in policy design, the link between programme evaluation and policy designers is quite close. However, as also mentioned above, evaluations are still not used in a routine fashion for all programmes, and therefore the amount of evidence for different programmes can differ quite much.

Like in the United Kingdom, there is a strong commitment to dissemination of evaluation results. This is done externally, but also internally in the organisation as part of the “soft regulation” process of the Ministry.

Finally, the NLMA also puts emphasis on the use of external evaluators. It seems however that the procedures applied are somewhat more informal and ad hoc-oriented than is the case in the United Kingdom, which in this respect also could act as a source of inspiration.

## 4 QUESTIONS

Following the discussion in section 3, a few questions can be raised in order to make further assessments of the transferability of evidence-based policy making in the United Kingdom:

- What is the relationship between the regular monitoring of labour market policy and the evaluations? Are there examples of “spill-over” from evaluation methods to monitoring?
- To what degree are regular research reviews applied in the UK? What is the assessment of the use of more formalised meta-evaluations, as in the case of the Danish “knowledge bank”.
- How are evaluation results translated into administrative practices and procedures at the level of the staff at the “front-line”?
- What is the balance between evaluations conducted in an economic tradition and evaluations inspired by sociology or inter-disciplinary perspectives?

## ANNEX 1: SUMMARY TABLE

The importance of evaluation and governance structures
<ul style="list-style-type: none"> <li>Evaluations are conceived as an important tool for assisting actors at all levels of the system in improving the design and implementation of active labour market policy.</li> <li>The most important actor is the National Labour Market Authority (NLMA).</li> <li>The NLMA has in recent years laid increasing emphasis on evidence-based policy formation and is right now working on developing a new strategy for strengthening this.</li> <li>There are several examples, where evaluation results have lead to changes in policy priorities or to adjustments of an existing programme – but also many examples to the contrary</li> </ul>
Assessment of the approach to labour market policy evaluation and impact on policy making
<ul style="list-style-type: none"> <li>No formal overall evaluation programme is defined by the NLMA and there are no permanent formal links to the evaluation activities initiated by the regions and the jobcentres.</li> <li>A formal tendering procedure is not used, but some of the external evaluators are “pre-qualified” through a so-called framework-agreement with the NLMA.</li> <li>While Danish evaluation activities were dominated for many years by register-based studies, the randomised experiments have in the last three to four years increasingly become the “gold standard” for the NLMA.</li> <li>The NLMA is aware of the risks of focusing solely on impact-oriented evaluations, where the actual activities and processes that lead to the observed impacts are in a “black box”.</li> <li>A number of dissemination channels are applied. There are plans for a “knowledge bank”.</li> </ul>
Assessment of success factors and transferability
<ul style="list-style-type: none"> <li>There are many similarities between the approach to evidence based policy-making in the United Kingdom and in Denmark.</li> <li>However the approach in the UK can inspire, for instance, with respect to establishing an overall evaluation programme covering all policy-components and the use of more formal procedures for contracting with external evaluators.</li> </ul>
Questions
<ul style="list-style-type: none"> <li>What is the relationship between the regular monitoring of labour market policy and the evaluations? Are there examples of “spill-over” from evaluation methods to monitoring?</li> <li>To what degree are regular research reviews applied in the UK? What is the assessment of the use of more formalised meta-evaluations, as in the case of the Danish “knowledge bank”.</li> <li>How are evaluation results translated into administrative practices and procedures at the level of the staff at the “front-line”?</li> <li>What is the balance between evaluations conducted in an economic tradition and evaluations inspired by sociology or inter-disciplinary perspectives?</li> </ul>