

# NEW DEAL FOR THE YOUNG UNEMPLOYED, UNITED KINGDOM

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# The Program

- New Deal for the Young Unemployed
  - ▶ United Kingdom, 1998-
  - ▶ target group
    - ★ 19-24 years old
    - ★ on "jobseakers' allowance" (UI) for already 6 months
- Three parts
  - ① Gateway: 4 months help in job search
  - ② New Deal options: subsidized employment, public employment etc..
  - ③ Follow Through: another 3 months of help in job search
- Program launched in two steps
  - ▶ 1998 Jan to March: Pilot program in a few regions ("Pathfinder Areas")  
not randomized
  - ▶ 1998. April onwards: "National Roll-Out"

# The Three Parts



# The Evaluation Study

Blundell, Costa Dias, Meghir and Van Reenen, 2004

- Evaluating the Gateway job search help component
- Outcome variable: exit from unemployment during the 4 months of the Gateway
- Matching combined with diff-in-diffs
  - ▶ matching two way
    - ① treatment group vs. control group
    - ②  $t=0$  vs.  $t=1$
- Multiple control groups
  - ▶ Non-pilot regions in the pilot (Pathfinder) period
  - ▶ Other age groups in the pilot and the national period

# Direct and Indirect Effects

- Direct effects on the treated
- Indirect effect 1: substitution
  - ▶ program participants are employed instead of other potential employees
  - ▶ negative effect on non-participants
  - ▶ total net effect is smaller than direct effect
- Indirect effect 2: on wages ("equilibrium effect")
  - ▶ program increases effective labor supply
  - ▶ wages therefore pushed downwards
  - ▶ at lower wages, labor demanded is higher
  - ▶ positive indirect effect on non-participants
  - ▶ total net effect is larger than direct effect

# Identification in the Pilot Period

Comparisons to different control groups identify different effects

## 1 Direct effect

- ▶ treated: 19-24 years old in Pathfinder pilot regions
- ▶ control: 19-24 years old in Non-Pathfinder regions

## 2 Direct effect plus indirect counted with wrong sign

- ▶ treated: 19-24 years old in Pathfinder pilot regions
- ▶ control: 25-30 years old in Pathfinder pilot regions

## 3 Total net effect

- ▶ treated: 19-30 years old in Pathfinder pilot regions
- ▶ control: 19-30 years old in Non-Pathfinder regions

## Results: Pilot Period (men)

Estimated average effects on the probability of exiting unemployment in the Gateway

group		estimation	
treated	control	simple	complicated
19-24 pilot	19-24 nonpilot	0.110**	0.098**
19-24 pilot	25-30 pilot	0.104*	0.074
19-30 pilot	19-30 nonpilot	0.066**	0.051
19-50 pilot	19-50 nonpilot	0.036**	0.042*
25-30 pilot	25-30 nonpilot	0.016	0.031

- Compare to baseline exit probability of 0.24.  $0.10/0.24 \approx 0.4$
- Half exit to "real" jobs, other half to subsidized employment

## Results: National Rollout Period (men)

Estimated average effects on the probability of exiting unemployment in the Gateway

- Treated group: 19-24 years old
- Control group: 25-30 years old

Time into program	estimation	
	simple	complicated
1st - 3rd quarter	0.053**	0.049**
1st quarter	0.088**	0.075**
2nd - 3rd quarter	0.031*	0.027

Decreasing effect. Why?

- decreasing enthusiasm among program managers
- in first period many UI abusers left ("cleaning up the register")
- seasonality, economic cycles