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# **Economic Evaluation of Active Labour Market Policy in New Zealand 1989 to 1997**

Geoffrey E. Perry

A thesis submitted in partial fulfilment of the requirements for the degree  
of Doctor of Philosophy,  
The University of Auckland, 2007

## **Abstract**

Active labour market programmes are an important component of government labour market policy internationally and in New Zealand. The growth in unemployment, and in particular male and long term unemployment, since the mid 1980's in New Zealand have contributed to the enhanced role of active labour market programmes in government policy. In the early 1990's the New Zealand government introduced a menu of interventions including subsidy, work experience and training programmes. Concomitant with this development has been increased pressure from political, business and social groups to assess the effectiveness of this approach in lowering unemployment.

The aim of this thesis is to evaluate the effect of active labour market policy utilised in New Zealand from 1989 to 1997. Whether or not these active labour market interventions were beneficial to those males who participated in them, the effect of treatment upon the treated, is the parameter estimated. The range of programmes makes it possible to analyse a number of programme evaluation issues. These include the overall question of the impact of subsidy, work experience and training programmes in general, but also other specific research questions. In particular the range of subsidy programmes makes it possible to identify that subsidies to private sector firms are more effective than those to public sector organisations. The effectiveness of start-up subsidies for the unemployed are also evaluated and found to be beneficial. The effects of participation upon selected education and ethnic groups are also estimated. Since there is no one estimation approach that works in all circumstances, both regression and matching estimators are used. In order to achieve this it is necessary to create two estimation datasets as the data requirements vary for each technique.

The main findings from the research are that participation in active labour market programmes is beneficial in reducing the length of time that participants are registered as unemployed. Work experience programmes have the largest impact, followed by subsidies. The effect of training programmes is smallest. The major beneficial effect occurs in the year following participation and then reduces in subsequent years. There are also some important methodological findings, including the sensitivity of results to the time frame, to the datasets chosen, and to the estimation techniques used.

## Acknowledgements

The support and engagement of several people and organisations have made a significant contribution to the completion of this thesis. In particular, I wish to thank my supervisor, Associate Professor Tim Maloney, whose critical thinking, empirical expertise and breadth of knowledge were important. Perhaps as important was his understanding of my “lumpy” approach to working on the thesis, due to my being in full time employment.

As the thesis is empirically based research, access to data was necessary. The then Labour Market Policy Group, of the Department of Labour, provided the database in 2000 on which this work is based. Andrew Reynolds, then based in the Labour Market Policy Group, provided support for this database and answered my many emails clarifying how it was constructed, defined and altered over time. This contribution is much appreciated. Being able to control for regional labour markets was also important. In this context I thank MOTU Economic and Public Policy Research Trust for access to regional data they compiled their FRST-funded programme “Understanding Adjustment and Inequality”<sup>1</sup>.

There are a number of people who have my gratitude. Shelley Ashton helped with the diagrams, tables, graphs and formatting of the thesis. Steve Perjanik proof read the thesis, an activity that confirmed his existing prejudice against economics. My father, Everett Perry, acted as a research assistant on several occasions. Thanks also to my employer, the Business Faculty at AUT University, which provided me with the financial support and flexibility in my work necessary to complete this research.

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<sup>1</sup> The Department of Labour and MOTU are not responsible for the use made of the data they supplied, for the views associated with the data or for the interpretations associated with the data. Any errors and omissions are the responsibility of the author.

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