

Evaluation of the Institute for Labour Market
Policy Evaluation (IFAU)
1997–2004

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August 2004



SWEDISH COUNCIL FOR WORKING LIFE
AND SOCIAL RESEARCH

Foreword

In September 2003, Government commissioned the Swedish Council for Working Life and Social Research (FAS) to undertake an evaluation of the Institute for Labour Market Policy Evaluation (IFAU).

The assignment called for the evaluation to include assessment both of the quality of IFAU's evaluations and of the institute's social relevance as a provider of supporting documentation for political decisions. The evaluators were also to assess IFAU's co-operation with other actors in their field of operation as well as the organisation and management of the institute.

For the assignment, FAS enlisted the services of Professors of Economics Lennart Hjalmarsson, Göteborg, and Steinar Ström, Oslo, as well as Annemette Sørensen, Professor of Sociology at Harvard University. Lennart Hjalmarsson acted as chairman of the evaluation team. Research Officer Ulla Wallin assisted the evaluators on behalf of FAS.

FAS wishes to thank the evaluation team for a well executed assignment. We also express our gratitude to all who took the time to be interviewed for their valuable contributions to the evaluation.

Stockholm, 3 September 2004

Rune Åberg

Secretary-General, Swedish Council for Working Life and Social Research

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Summary

IFAU's operational focus is the analysis of issues relating to the labour market. The analyses are often based on recent microeconomic theory, extensive and detailed micro data primarily dealing with the association of individuals to the labour market, and more recent econometric methods. The analyses are scientifically interesting and provide important input to the formulation of economic policy. The analyses are competently executed and have in an impressively short time resulted in numerous publications in well regarded international journals. Since 2000, IFAU can point to some forty papers which have been published or accepted for publication in respected international journals. In addition, 20 articles have been published in Swedish popular science journals. IFAU has also attracted leading international researchers in labour market econometrics to its operation, such as Jim Heckman, Richard Blundell, Costas Meghir and Gerhard van den Berg.

The assignment called for the evaluation to include IFAU's form of organisation, management and focus, the quality and extent of its scientific production, IFAU as knowledge provider and its importance as a provider of supporting documentation for labour market policy and other policy areas within the institute's field of operation. Our conclusions are as follows:

- The research at IFAU is characterised by considerable breadth and a high degree of relevance and it is difficult to identify any obvious gaps or omissions.
- Review of IFAU's research reports and projects as well as interviews with members of its reference group show that IFAU's projects provide a very good factual basis for labour market policy. In this respect, IFAU's operation has contributed to a major increase in knowledge.
- The research maintains a very good scientific standard. The output of international journal publications is especially impressive.
- IFAU should consider whether funding allocated to its other non-economic, sociological research is being well used.
- The quality assurance process at IFAU is very impressive. It is highly prioritised and characterised by great thoroughness.
- Quality assurance also includes establishment and maintenance of an internal database with good opportunities for checking data quality and stimulating the identification of new and interesting issues.
- IFAU's outreach activities are very ambitious and extensive, and clients provide a highly appreciative view of IFAU as knowledge provider.

- Although it is difficult to “quantify” the effect of IFAU’s operation on current labour market policy, it is evident that various policy changes implemented in recent years are in line with the results published in the institute’s reports. Based on the interview responses, IFAU’s operation is considered very valuable as a basis for shaping labour market policy, especially long-term, but also in a short-term perspective.
- The combination of government agency as the form of organisation and locating the operation in close proximity to a strong university environment appears ideal since it provides the opportunity of combining independence and administrative efficiency with the long-term maintenance of a high level of scientific competence.
- The Director-General has a strong position and has clearly used this to promote highly active and purposeful management and steer the institute in a direction which, in our opinion, is exemplary.
- IFAU has in a relatively short time become established as a highly credible evaluation institute with high academic status.

IFAU deserves top marks for the work it has done and the institute is currently regarded as one of the leading research environments for applied labour market economics in Europe. We especially wish to emphasise the vigorous international publication rate achieved by IFAU. Applied research environments easily succumb to the temptation to opt for investigation-orientated activities and attempt to evade the very cumbersome extra step of processing their analyses with a view to international publication in respected journals. IFAU has obviously applied a different and scientifically more interesting publication philosophy for which it should be commended. At the same time, IFAU has managed to combine international publication with solid scientific investigations and contributions to popular science intended for Swedish government agencies and the public.

1. The assignment

The Swedish Council for Working Life and Social Research, FAS, was commissioned by Government to evaluate the Institute for Labour Market Policy Evaluation, IFAU. The assignment called for evaluation of IFAU's form of organisation, management and focus, as well as the quality and extent of its scientific production. With respect to IFAU as knowledge provider, the evaluation was to consider IFAU's importance in providing supporting documentation for labour market policy and other political areas within the institute's field of operation. IFAU's influence on other authorities and actors within the institute's field of operation also had to be evaluated.

In the course of our evaluation we have reviewed a large proportion of the documents produced by IFAU and conducted two site visits, as well as interviewing all members of the IFAU reference group and a number of board members.

2. Background

The Institute for Labour Market Policy Evaluation, IFAU, was established on 1 July 1997 as a research institute under the Ministry of Industry, Employment and Communication and located in Uppsala. Besides its internal activities, IFAU also functions as a smaller research council to which researchers can apply for funding. The primary purpose of the institute's operation is to contribute to better fulfilment of objectives within labour market policy.

The institute is a government agency led by a Director-General. At the present time the institute employs 21 post-doctoral researchers, 3 doctoral students, 5 investigators and 6 administrators. The institute also has one affiliated professor and three affiliated post-docs. In addition, 12 professors, 5 post-docs and 5 doctoral students are associated with the institute through projects in collaboration with IFAU personnel. While most of the researchers are economists, IFAU also has competence in statistics and the social sciences. It has a budget of approx. SEK 16 million for its own operation as well as approx. SEK 5 million for allocation to external researchers.

The institute is assisted by a board which is dominated by researchers, albeit from a broad range of scientific disciplines. The board provides input to the operation and decides on allocation of external research grants. In addition to the board, there is also a reference group of 14 persons which includes representatives from government departments and agencies, trade unions and employers. This group also provides input to the operation and proposes issues in need of investigation.

Under its ordinance (SFS 1997:648, as amended in SFS 2001:138, ...) the institute shall *"...promote, support and execute evaluation of measures motivated by labour market policy, studies of labour market function, and evaluation of the effects of education-related measures on the labour market."*

The institute is furthermore required to disseminate information about the results of its evaluations and studies to authorities and other stakeholders through publications, seminars, courses and conferences. In addition IFAU is working to develop and maintain a database and

facilitate access to data for researchers throughout the country, as well as compiling a library of Swedish evaluation studies. Alongside its internal operation, IFAU also acts as a minor research council which allocates funding to researchers upon application.

As a form of programme declaration, IFAU has provided the following outline of its operation:

Objectives:

- Produce and make available knowledge of optimal quality and quantity
- Establish research institutes within a nine-year period

Means:

- Recruit highly qualified and committed collaborators
- Develop the competence of employees on a continuing basis
- Accumulate and document data with quality assurance

Credibility:

- Distinguish clearly between research findings and personal reflections
- Avoid discussing preliminary results with journalists or decision-makers

External relations:

- Generously provide knowledge and data to others

3. Focus and extent of the operation

During the development phase from 1998–2000, IFAU's operation comprised evaluations of measures motivated by labour market policy and studies on the function of the labour market. In 2001 its mandate was expanded to include evaluation of the effects of education-related measures on the labour market. The appropriation directions for 2002 added the requirement that results be disseminated to interested parties both in Sweden and internationally.

IFAU is presently engaged in some 30 internal and 25 external projects. The operation is separated into three main areas with subdivisions:

- Labour market policy
 - Evaluation of labour market programmes
 - The labour exchange
 - Effects on the individual
 - Macro effects
 - Unemployment insurance
 - Methodological projects
 - Overviews

- Functioning of the labour market
 - Unemployment
 - Wage setting
 - Demand for labour
 - Availability of labour
 - Labour law
 - The labour market for immigrants
- Labour market effects of educational initiatives
 - Adolescent school, universities and colleges
 - Adult education
 - Education, diffusion of technology and demand for labour
 - Methodological projects

Funding for external research projects provides an important complement by filling gaps in the internal operation. This applies especially to research within disciplines that are not represented internally at the institute. In 2004 these funds were divided more or less equally between labour market policy and function of the labour market, and the effects of education.

As clearly shown in the project list, the research is characterised by considerable breadth and it is hard to find any obvious gaps or omissions, nor did any emerge during interviews with reference group members. Our understanding is that IFAU has made good use of this broad contact area and shown great sensitivity with respect to proposed project concepts.

4. Scientific quality

Economics research concerning the labour market has expanded very rapidly over the last decades, in theoretical and methodological terms as well as empiric. Extensive databases have gradually been established for empiric research. The field has proven highly attractive to internationally very prominent researchers, with rapid advancement of the international research front as a result. At the same time, the development has transformed the field from a methodologically low-tech area to a methodologically highly sophisticated area within micro econometrics.

In the field of economics, international journal publication is the primary marker of scientific quality. To give an impression of the scientific quality of research at IFAU, we will therefore first examine published papers in five areas.

- 1) **Evaluation of labour market programmes.** Here we would especially mention papers by K. Johansen (Do labour market programs affect labor force participation, *Swedish Economic Policy Review*, 2001), L. Larsson (Evaluation of Swedish youth labor market programmes, *Journal of Human Resources*, 2003), K. Carling and L. Larsson (Does early intervention help the unemployed youth, *Labour Economics*, forthcoming), K. Carling and K. Richardson (The relative efficiency of labour market programs: Swedish experience

from the 1990's, *Labour Economics*, forthcoming), B. Sianesi (An evaluation of active labour market programs in Sweden, *Review of Economics and Statistics*, forthcoming).

- 2) **Sick leave.** There is an important paper by P. Johansson and M. Palme (Assessing the effect of public policy on worker absenteeism, *Journal of Human Resources*, 2002).
- 3) **Integration of immigrants.** Important papers include P.-A Edin, P. Fredrikson and O. Åslund (Ethnic enclaves and the economic success of immigrants – evidence from a natural experiment, *Quarterly Journal of Economics*, 2003), P.-A. Edin, R. J. Lalonde and O. Åslund (Settlement policies and the economic success of immigrants, *Journal of Population Economics*, 2004) and O. Åslund (Now and forever? Initial and subsequent location choices of immigrants, *Regional Science and Urban Economics*, forthcoming).
- 4) **Unemployment and job seeking.** Important papers include K. Carling, B. Holmlund and A. Vejsiu (Do benefit cuts boost job-findings, *Economic Journal*, 2001), P. Fredrikson and B. Holmlund (Optimal unemployment insurance in search equilibrium, *Journal of Labor Economics*, 2001) and S. Eriksson and N. Gottfries (Ranking of job applicants, on the job-search and persistent unemployment, *Labour Economics*, forthcoming).
- 5) **Wage setting, income differentials and unemployment.** Important papers include J. Agell and P. Lundborg (Survey evidence on wage rigidity and unemployment, *Scandinavian Journal of Economics*, 2003) and P.-A. Edin and K. Richardson (Swimming with the solidarity wage policy and the gender earnings gap, *Scandinavian Journal of Economics*, 2002).

Other important research areas have included the effects of changed working hours on unemployment, voting models, work in the informal part of the economy and registered unemployment.

In addition to those referenced above we may also mention publications during 2003 in journals such as *American Political Science Review*, *International Economic Review*, *Journal of Public Economics* and *Journal of the European Economic Association*.

The level of international journal publication is highly impressive. Here we find papers in leading international journals of a general nature alongside articles in more applied, but nevertheless high-ranking journals. To give some perspective to the importance of journal publication as a quality indicator within economics we should mention that the rejection rate for contributions submitted to prominent international journals generally exceeds 90 percent. The step from working paper to journal publication may therefore be very long and arduous, and without a good incentive structure there is a great temptation to omit this step. It is a rule rather than an exception that applied research environments tend to opt for less demanding investigative work.

In addition to the referenced published papers, we have also reviewed about ten papers which have not yet been published internationally, but where the intention clearly is to achieve such publication. Below is a brief critical review of these papers.

- 1) M. Dahlberg and A. Forslund: “*Direct displacement effects of labour market programmes: The case of Sweden*”.

This study examines whether labour market programmes can reduce opportunities in the labour market for those who do not participate in such programmes. An effect of this kind may occur because taxes have to be increased in order to fund the programmes, because hourly wages for all in the labour market may be affected, or because hiring a person from a labour market programme may take place at the expense of individuals who do not participate in or are not covered by a certain individually targeted labour market policy. The most important conclusion is that programmes which subsidise the employment of certain individuals can have this type of negative (and indeed fairly significant) effect on those not covered by the individually targeted labour market policy. This finding is not surprising. Theoretical and certain empiric analyses have previously been carried out on the basis of the so-called Layard-Nickel model; a model which invites conclusions similar to those drawn in the present paper. In the present paper, the theoretical model is again based on the Layard-Nickel model. The theoretical part of the article is used to justify regression expressions in the empiric part of the article. These two parts therefore do not coalesce fully as they would have done in a structural micro econometric model. The empiric part of the study has been competently executed and is based on balanced panel data material. The potential for publication is linked to the empiric part of the article.

- 2) M. Lundin and P. Skedinger: “*Decentralization of active labour market policy: The case of Swedish local employment service committees*”.

The concept behind this paper is to study whether local as opposed to central policy-making has an impact on (a) the objectives of labour market programmes, (b) the type of programmes or (c) their effect on labour market association. The data originates from an experiment carried out in Sweden where local authorities were given a larger role in designing the programmes. The authors conclude that there is a certain difference in programme objectives between local and central authorities. It is pointed out that “only” three of four local decision makers have objectives that coincide with those of central decision makers. For many readers, three out of four will suggest that a large majority have coinciding objectives. The more econometric part of the study takes a closer look at what has actually been chosen, rather than what local decision-makers say they would consider doing. Empirical findings provide some support for the conclusion that programmes that are more orientated towards local problems may be the ones chosen by local committees. The econometric part makes a competent impression. The potential for publication is probably somewhat limited since the issues and results are likely to be of greatest interest to Swedish authorities and the Swedish public.

- 3) L. Larsson: *“Sick of being unemployed? Interactions between unemployment and sickness insurance in Sweden”*.

In the Swedish data material used in this study, unemployment benefits are payable for a maximum of 300 days. The issue analysed is whether there is an increasing tendency among the unemployed to call in sick when their unemployment benefits are about to cease. Based on an econometric durability analysis, the author finds that the answer may be affirmative. The author moreover finds that if sick pay is more generous than the unemployment benefits, there may be an incentive to call in sick, given that the individual is entitled to unemployment benefits. Such incentives do not appear to affect the duration of the sick leave. The issue is very interesting; the econometric analysis is competently executed, the conclusion drawn is convincing, the presentation focuses on the concrete issues raised (and on nothing else) and everything suggests that this study is of interest to an international readership. The paper should have good possibilities of being accepted for publication in a respected journal.

- 4) K. Johansson: *“Labour market programs, the discouraged worker effect, and labour force participation”*.

The first part of this paper describes a search model for the labour market. The second part – which could very well have been written without the preceding introduction of the somewhat airy search model – estimates how the probability of employment is influenced by access to labour market programmes. The author finds that these programmes have a short-term, positive effect on employment. The econometric work has been competently executed.

- 5) B. Öckert: *“Do university enrolment constraints affect education and earnings”*.

The topic of this study is whether restricted access to higher education in Sweden has had effects on the duration of training and – perhaps most important – on future earning power. Persons who applied for access to higher education in 1982 were subsequently monitored for a number of years. Several variables are of importance to this type of study. Firstly, applications for admission to different study programmes is not random (self-selection); secondly, admission to different study programmes is not random (admission selection); thirdly, consideration must be given to the fact that applicants who are not admitted to their programme of first choice may gain admission to another programme. The author explains these issues very clearly and attempts to correct for the selection effects in the empirical part of the investigation. While these corrective adjustments may be valid, we would have liked to see a more thorough discussion and empiric testing of the possibility of covariation between observed and non-observed variables relating to the different forms of selection. It is, for instance, feasible that observed variables affecting admission selection correlate with non-observed variables affecting self-selection, and vice versa. After correction for selection effects, there is still the problem of finding appropriate matches for individuals who were accepted into a study programme of their choice.

The author here examines three types of individuals: (a) individuals who have not applied for admission to studies, (b) individuals who fail to meet admission criteria, (c) individuals who meet the admission criteria but for various reasons fail to commence/complete their studies (screen-outs). None of these groups is ideal in the sense that observed or non-observed variables may exist which correlate to the desired study programme, i.e. the effect of training on future earning power. The author does his best at this point and appears to rely mostly on the group (c) individuals. He finds that the period of training is longer among those admitted to their programme of first choice, but finds that restricted access to studies has little effect on future earning power. The empirical results are not exactly sensational, but the study has been solidly executed and is likely to be accepted for publication in an appropriate international journal.

- 6) E. Ekström: *“The value of a third year in upper secondary education - evidence from a piloting scheme”*.

In 1991 a school reform was implemented which gave Swedish students the option of choosing between a three-year and a two-year vocational programme in upper secondary school. Before being implemented, the reform was tested in a few communities and the author interprets these pilot programmes as a natural experiment, using data from the trial period to estimate the choice among adolescents who are offered the option of three and two year vocational schooling, respectively. The authors find that the ability to choose a three-year programme relative to a two-year programme has had a positive effect on opting for a vocational programme. Here correction has been made for such factors as local unemployment. While the result may not be sensational, this is nevertheless an analysis of an interesting data material. The paper may be of greatest interest in Sweden, but international publication cannot be excluded.

- 7) P. Fredriksson and P. Johansson: *“Program evaluation and random program starts”*.

The topic of this study is how to measure the effect of participation in a labour market programme on the probability of finding work and on future earning power. A frequently used approach is to base such measurements on a matching model. This type of model is based on finding a match between those who participate in a labour market programme and those who do not. At best you may find individuals whose desire to participate in such a programme is approximately comparable in terms of probability. The authors note that this now widely used approach can lead you astray and result in skewed estimates; as an example, results showing negative effects of programme participation may conceal the fact that the real effect is zero. The reason is that finding individuals who do not participate in a programme presupposes future circumstances, i.e. on variable(s), the effects of which you wish to measure. A future non-participant may, for instance, be a person who has had the good fortune to find work. The authors' response to this problem is to model participation as a dynamic and stochastic process where participation in a programme may occur at any time during a period of unemployment. The selected model is a hazard rate model which leads to estimators of treatment effects linked to differences in survival rate at work between participants and non-participants in programme.

By means of Monte Carlo simulations they demonstrate some interesting empirical results, including the negative skewing in matching models. This paper should stand a good chance of being published in a respected international journal.

- 8) A. Nilsson and J. Agell: “*Crime, unemployment and labour market programs in turbulent times*”.

This is a well-written and important paper dealing with an empiric study of whether (economic) crime and the use of narcotics shows a positive variance with unemployment in different age groups, and a negative variance with labour market programmes. The data used is well suited to analysis of this issue for two reasons. Firstly, there is a wide variation in unemployment between communities and secondly, the data covers a period with a clear drop in unemployment in Sweden. The authors find that unemployment in general has a clear and expected effect on crime and the use of drugs, but that youth unemployment and labour market programmes targeted to young unemployed (as well as older unemployed) have no clear effect. The latter is probably related to selectivity in terms of participation in labour market programmes. Persons who are inclined to commit crimes may be less interested in long-term training in order to make money. Quick money, illegally obtained, may be more attractive. You also cannot overlook the fact that potential criminals expect participation in labour market programmes to yield little in terms of increased future earnings. This would certainly agree with the findings of many researchers, at IFAU and elsewhere! The paper is highly likely to be published in a respected journal.

- 9) P. Hedstrøm, A.-S. Kolm and Y. Åberg: “*Social interactions and unemployment*”.

This paper actually consists of two separate parts. The first describes a standard search model with matching of job-seekers and companies, somewhat expanded because the (mental) cost of being unemployed depends on how many others are unemployed. In such case, this search model may result in two equilibriums: Low wages/low unemployment, and high wages/high unemployment. The second part of the paper uses data from the Stockholm region to investigate whether unemployment in a local area (and among otherwise equivalent individuals) influences an individual's emergence from unemployment. Although this is stated to be a test of the theoretical model, this is not the case since the model provides a prediction about the combination of wages and unemployment. The report includes the empiric finding that the probability of emerging from unemployment increases if there is a drop in so-called local unemployment. However, this may just as easily be due to covariant local labour market conditions as to social interaction. Here there is more work to be done before publication can be considered. Why not make it two papers instead of one?

10) A. Forslund, P. Johansson and L. Lindqvist: “*Employment subsidies: A fast lane from unemployment to work?*”.

This study was presented verbally to the committee. Our impression is that this is a high-quality study which is very likely to be published in a respected journal.

Our overall impression from this review of still unpublished papers is also very positive. Most of these papers clearly have a good potential for publication.

Other socioeconomic research

While economics is the primary focus of IFAU’s operation, there is also room for projects by social scientists who are not economists. Most of this research is carried out by researchers who have no fixed association with IFAU, but apply for research funding from the relatively limited part of the budget set aside for such projects. Our review also shows that these projects consistently are of high quality, well-written and usually of interest. It is nevertheless unclear to us how significant this non-economic research is and how much influence it has, or should have, on the institute’s central projects. The predilection for multi-disciplinary research among politicians and bureaucrats is well known, but it is rare to find examples that show it to be worthwhile. By this we mean that researchers in a given discipline rarely glean enough from research in another to influence their own research in a fruitful direction. In the existing division of labour within research it is also worth noting that very extensive non-economic labour market and working life research is carried out at other institutes and seats of learning.

It is our opinion that IFAU, its board and reference group should discuss whether funds allocated to such other sociological research are well spent. It is, for instance, open to debate whether IFAU would get more for their money by specifically targeting certain researchers who are experts in areas of special importance to economic labour market research. One example could be sociologists who pursue research into segmentation and segregation in the labour market, phenomena which are well-known but rarely central in economic labour market research. Researchers should also be required to use their time and efforts explicitly to elaborate what economic labour market research can learn from the projects.

Contributions to popular science

The committee has also examined about ten popular science articles of an investigative nature dealing with various aspects of the labour market in Sweden. These articles are based partly on registry data available at IFAU, partly on interview surveys, including the smallest data material which comprises 19 individuals who were interviewed in-depth about their association to the labour market. One investigation contains a comparison of labour market policy with respect to functionally impaired individuals in OECD countries. Two of the investigations deserve special mention:

- 1) P. Johansson and S. Martinsson (2000): “*Det nationella IT-programmet – en slutrapport om SWIT [The national IT programme – a final report on SWIT].*”

This investigation compares two IT orientated labour market programmes. One of them, SWIT, is found to have yielded better results than the other in terms of a greater number finding work after completing the programme. SWIT participants who find work also achieve higher incomes. While this is no sophisticated econometric presentation and it is somewhat unclear whether selection in the two programmes is clearly different (besides observed characteristics), the study makes a good point in a simple manner. The paper may be of interest to a broader readership than the authorities and public in Sweden.

- 2) K. Håkansson (2001): “*Språngbräda eller segmentering? En longitudinell studie av tidsbegränsat anställda [Springboard or segmentation? A longitudinal study of temporary employment].*”

The investigation concerns the fate of individuals who have been in temporary employment. Temporary employment is popular in many countries and is intended to give companies greater hiring flexibility, thus achieving lower labour costs and more jobs in troubled times as well as providing individuals with a springboard to a more permanent hold on working life. The author finds that a more permanent association to working life first and foremost may apply to the highly qualified. This is not the case with seasonal workers, women and the poorly trained. The introduction of temporary employment therefore leads to segmentation in the labour market: the fortunate and highly trained find permanent jobs, while others become a buffer in the labour market who have work when times are good, and no work when times are bad. It may also mean that highly trained individuals can attain more stable employment and higher wages than if there is no system of temporary employment. The latter point is not discussed in this investigation. The study addresses a very topical problem and analyses it in a scientifically sophisticated manner. The paper deserves international publication.

Scientific competence and recruitment of researchers

The econometric competence required for applied research within the field demands much more than the basic courses in econometrics offered by postgraduate training in economics. As a result, the recruitment pool for researchers within the field is fairly limited in a small country such as Sweden. As mentioned, the location of IFAU to Uppsala, in close proximity to the Department of Economics, has undoubtedly greatly facilitated the recruitment of good researchers. In our opinion, IFAU has been exceptionally successful in this respect, which has also been a prerequisite for the high quality of its research.

The research undertaken at IFAU is consequently carried out to a very large extent by Sweden's most highly qualified researchers in the field (directly or indirectly as supervisors of doctoral students), with supplementary contributions from likewise highly qualified international researchers.

5. Quality assurance

The quality assurance process at IFAU is very impressive. It receives high priority and is characterised by great thoroughness. Before publication, every report is subjected to an internal seminar presentation, following which the report is factually verified by the party involved. At the next stage the report is presented in conjunction with at least one external seminar and is also subjected a specific quality review by an external as well as internal post-doctoral researcher prior to publication. Following publication, the report is presented at seminars, workshops and conferences, and in most cases a version of the report is also prepared for publication in an international journal.

Quality assurance also includes development and maintenance of an internal database. Compared to ad hoc requisitions from external databases, an internal database greatly enhances understanding of the content of different variables and offers entirely different possibilities for checking data quality while stimulating the possibility of identifying new and interesting issues.

6. Relevance of the research

The focus of IFAU's operation is governed within a fairly broad framework by ordinances and appropriation directions. Within this framework, IFAU independently selects topics, theories and methods for its research projects. Our general impression is that issues dealt with in the research projects are highly relevant. This impression is also confirmed by interviews with reference group members who to a very large extent represent the client side. The unanimous impression from these interviews is that the research at IFAU is highly relevant; that IFAU shows great sensitivity in taking on new issues; and that it is hard to find neglected areas – possibly excepting the area of education where research is still in its infancy. An important reason is that this field became part of IFAU's mandate only in 2001.

7. IFAU as knowledge provider

As part of its mandate, the institute is required to disseminate information about the results of its evaluations and studies to authorities and other interested parties, nationally as well as internationally. This is primarily achieved through publications, seminars, courses and conferences. The high level of activity within this area is evident from the 2003 annual report.

Activity	2003	2002	2001
Number of research reports distributed	34	39	32
Number of publications	18	22	17
Number of internal conferences, workshops and seminars	42	27	34
Number of presentations at external conferences, seminars etc.	84	93	na
Number of visiting researchers at the institute	8	12	15

IFAU's research is published in three series, Working Papers, Reports and Dissertations. Practically all research is first published as working papers and distributed internationally to researchers and certain international organisations, as well as being submitted to international journals for assessment. Besides papers written in Swedish, the Reports series features pedagogically edited and more accessible translations of working papers. The reports also include overviews of the state of knowledge in different fields. The reports are aimed at a broad Swedish public. Dissertations entirely or partly financed by IFAU are published in the Dissertation series.

As shown in the above statistics, IFAU's researchers are extremely active presenters of their research. The requirement that every research report must undergo a seminar presentation at a minimum of one external institution is a strong contributory factor. Results are also frequently presented at a Ministry of Industry, Employment and Communication seminar. Results are furthermore normally summarised in a press release which is distributed to relevant decision makers and researchers within the field in addition to the press. All publications are available as free downloads on the IFAU website. There were 628,000 visits to the website in 2003, of which 45 percent resulted in a look at or downloading of an IFAU publication. IFAU's working papers are also available in the Scandinavian SWoPEc (with over 1,000 downloads in 2003) and the international RePEc (with approx. 1,700 downloads in 2003).

The client side, represented by the members of the reference group, presents a very positive and highly appreciative picture of IFAU as knowledge provider. One feature which is especially appreciated is the international monitoring with overviews of international research in the field, which gives clients a broader perspective of their own activities.

8. Significance of IFAU for labour market policy etc.

Both a review of IFAU's research reports and projects as well as interviews with members of the reference group show that IFAU's projects provide a very good factual basis for labour market policy. Surprisingly, the state of knowledge within this area has been very poor. Despite the enormous amounts invested in labour market policy every year for several decades, research into the effects of labour market policy has been very rudimentary. Here IFAU's activities have contributed to a major increase in knowledge.

It is in the nature of things that it is very difficult to pinpoint IFAU's importance for practical labour market policy. At an early stage we considered carrying out a separate project with the intention of following up the effects of a number of evaluations. This notion was abandoned on closer reflection. One important reason was that time constraints would make the project difficult to carry out in a thorough manner within the framework of our evaluation. Such an undertaking has the character of a more extensive research project with a well considered design.

To a large extent our group has had to rely on interviews with persons involved or interested in labour market policy, primarily members of the reference group, but also a number of

researchers, bureaucrats and politicians. The emerging picture shows that IFAU's operations are considered "extremely valuable" as a basis for shaping labour market policy, especially long-term, but also in a short-term perspective. Although the critique of specific programmes evaluated by IFAU has been devastatingly negative (e.g. "friåret" [a year of sabbatical leave]), such programmes may in certain instances survive for political reasons, while others are terminated and some proposals are never realised on account of experiences documented in the evaluations undertaken. Several of those interviewed have emphasised the role of IFAU for long-term thinking and attitudes with respect to labour market policy and the expectations of what it can achieve. Even if some programmes still are based on wishful thinking, in a somewhat longer perspective "the drop will hollow the stone". "Regardless of ideology, most people want to see scarce resources effectively used."

Some interviewees have also called for a more "vociferous" IFAU that would present its critical results under blazing headlines. In our opinion, IFAU should retain its low-key approach in the difficult balancing act between scientific and journalistic representation. We are quite convinced that a low-key approach will not diminish the effect of IFAU's operation on the policy pursued. A low-key approach is on the other hand very important for the recruitment of qualified researchers – who rarely have media aspirations.

As noted above it is difficult within the framework of the evaluation team's assignment to determine what effect IFAU's operation has had on current labour market policy. It is nevertheless evident that various policy changes implemented in recent years are in line with results published in the institute's reports.¹ The dialogue between IFAU and the Ministry of Industry, Employment and Communication in conjunction with the award of government assignments to IFAU has probably also enhanced the Ministry's competence in terms of ordering evaluations.

Other authorities and actors

IFAU has very broad contacts with various authorities and actors, the latter comprising organisations, researchers, politicians and journalists interested in the function of the labour market or involved in labour market policy. International contacts are also extensive, not only with the research community; we note that delegations from IMF, OECD and EU have paid regular visits to IFAU to discuss the Swedish labour market.

Trying to define "IFAU's influence on other authorities and actors within the institute's field of operation" is not entirely easy. Considering the time and resources, this aspect is based primarily on qualitative impressions resulting from conversations and interviews.

¹ Examples include regulatory changes to unemployment insurance which remove the option of qualifying for a new period of unemployment benefits by participating in a labour market policy programme, as well as increased focusing on long term unemployment and measures to stimulate job searching.

The general impression from interviews with representatives of authorities and organisations is that they are very interested in results emanating from IFAU operations and accord them a great deal of importance in their own operations. This also reflects a high level of confidence in IFAU's operation in terms of research quality. The same impression emerges from conversations with a small number of politicians. Typical comments are that "without IFAU as a source of knowledge, the debate would be dreary and poor", that "anything that comes from IFAU is taken seriously" and that "among all these lobby groups you need an independent institute whose analyses you can trust". In addition, organisations belonging to IFAU's reference group have had opportunities to gain insight into issues relevant to their own organisations by influencing IFAU's research agenda directly.²

IFAU is also part of the research community and has very extensive contacts not only with Uppsala University, but also with institutions at most major Swedish universities as well as many abroad, primarily through seminar presentations, conferences, workshops and research collaboration, but also as a result of the external research funding granted by IFAU.

Contacts with Uppsala University are for obvious reasons particularly extensive. IFAU has arranged courses in evaluation methodology at the postgraduate level, often in collaboration with the Department of Economics at Uppsala University. Course participants have come from IFAU as well as other Swedish and international research environments (university institutions, research institutes and other authorities). In addition, IFAU underwrites a professorship in micro econometrics, especially evaluation, at Uppsala University. This has a positive effect on postgraduate training in economics at Uppsala University and contributes to raising the general evaluation competence for the benefit of policy areas outside labour market policy.

The establishment and development of an internal database is also very important for contacts with the research community. A contributing factor is the highly meritorious (but fairly uncommon) openness which offers liberal data access to external researchers. The database is available to all recipients of external research grants from IFAU. In addition, a copy of the database, held at Statistics Sweden, is available on loan (for a nominal fee) to other researchers, subject to a standard confidentiality check.

Establishment and development of the database has also had a positive effect on quality work and development of statistics production at Statistics Sweden. IFAU has also regularly commented on statistics production at the Labour Market Administration. Here again, the institute's user competence has contributed to quality improvements.

² At each reference group meeting, one of the participating organisations has presented proposals for three research issues where investigation by IFAU is desired.

9. IFAU's form of organisation

IFAU has the status of a public agency reporting to Government. The framework of its mandate and appropriation directions allows IFAU to operate with a great deal of independence and efficiency.

The prime consideration when choosing a form of organisation is obviously IFAU's independence. It is in the nature of things that evaluation research in a field such as labour market policy is controversial. Without a very high level of independence with respect to choice of issues, theories and methods as well as publication, IFAU's credibility will come into question as soon as "inconvenient" results are being presented. Without a very high level of independence and credibility, the risk of political management also increases, with severely negative effects on the drawing power of the research environment. No "real" researchers will accept political management of their activities.

Our opinion is that its status as government agency with a researcher-dominated board has afforded IFAU a very high degree of independence. It is also our firm impression that IFAU's management really has utilised its form of organisation and safeguarded its independence.

We find it unlikely that any alternative form of organisation, such as a foundation or university institution, would have been preferable in this respect. Foundation as a form can be criticised from the democratic standpoint when dealing with an operation such as IFAU. Possibly, IFAU could have operated as a research institute at a university (similar to SOFI at Stockholm University). It may nevertheless be somewhat problematic to incorporate an operation of the nature of IFAU within a university in view of applicable regulations concerning overhead-related taxation of funding grants, salary structure etc., and we see no obvious advantages with this form of organisation.

Another important aspect when choosing a form of organisation is administrative efficiency. Here again, government agency as the chosen form does not impede efficiency to any major extent – if at all – compared to possible alternatives.

A third, more problematic but extremely central aspect relating to the form of organisation involves the long-term maintenance of high scientific competence. Independent research institutes focusing on a specific sector always run the major risk of seeing their scientific competence eroded little by little and their research gradually becoming a merely investigational activity. Somewhat pointedly we may speak of the "curse of sector research". For the simple reason of convenience, there may be a great temptation in applied research environments to focus on investigation-related activities and thus evade the very demanding extra step of processing the analyses with a view to international publication in respected journals.

The long-term challenge facing a sector research institute with scientific aspirations is never to lose touch with the often rapid theoretical and methodological advances in its "core field". This is likely to apply particularly to subjects such as economics that make such extensive use of

mathematical and statistical-econometric methods in their research, and where theory-related advances in one subsidiary field can have fruitful spillover effects on research in other subsidiary fields. In the absence of researchers with high general scientific competence in the field of economics, the likelihood of deficient sector-specific research is considerable. This provides a strong argument for an alternative form of organisation and specifically for locating a sector research institute at a university.

In our view there are primarily three factors which strongly mitigate our concern about long-term erosion of IFAU's research competence.

1. IFAU's location in physical proximity to the Department of Economics at Uppsala University has led to very close collaboration and an extensive interchange of individuals between IFAU and the Department of Economics. Over the past twenty years, the Department of Economics at Uppsala University has gradually established very strong competence in labour market research with efficient postgraduate training and the production of a large number of dissertations within the field. There is no doubt that IFAU's location in Uppsala, in close proximity to the Department of Economics, has greatly facilitated the recruitment of good researchers.
2. IFAU's management places very high importance on methodological issues. This is illustrated not least by the funding of a professorship, formally at the Department of Economics, in micro econometrics as well as funding of an annual doctoral course in advanced econometrics.
3. IFAU's operation has acquired a clearly international focus. The criteria applied to quality assessment are international, and there are strong incentives for individual researchers to undertake the arduous process towards publication in highly ranked international journals. IFAU has also attracted leading foreign researchers within labour market econometrics, such as Jim Heckman, Richard Blundell, Costas Meghir and Gerhard van den Berg. In their work, individual IFAU researchers unquestionably experience the necessary pressure exerted by the demands of the international research community on good research.

We find that the combination of government agency as a form of organisation, and location of the operation in close proximity to a strong university environment, is ideal in terms of the possibility of combining independence and administrative efficiency with the long-term maintenance of high scientific competence.

10. IFAU's management

IFAU is managed by a Director-General who is assisted by a traditional board dominated by researchers. The main tasks of the board are:

- To ensure that the institute operates efficiently and in accordance with its ordinance and appropriation directions
- To make decisions concerning external research grants
- To make decisions concerning annual accounts

Besides the board there is also a reference group consisting of 14 persons, including representatives of ministries, government agencies, professional organisations and employers. This group also provides input to the operation as well as proposing issues for investigation.

The Director-General has a strong position which she has unquestionably used to provide very active and purposeful management of the institute in a direction which, in our opinion, is exemplary. She appears to possess the exact qualifications in terms of scientific competence, administrative capability, energy and forceful sense of purpose that are ideal for leading this type of operation. We find the management of IFAU and its attendant results very impressive.

Function of the reference group

Reference groups and councils without formal responsibilities tend to be short-lived or lead a dwindling existence after a brief initial period of activity. To the great surprise of the evaluation team, IFAU's reference group is an exception. The committee has interviewed several (all) members of the reference group and found a unanimous perception that the reference group functions very well ("incredibly useful group") and that reference group meetings are "time well spent". Especially appreciated is the open and non-posturing atmosphere at these meetings. The meetings provide an important link between researchers and users of research results and bridge the gap between theory and practice. The willingness and ability to come down from the very elevated scientific pedestal characteristic of this research field and present research results in a manner comprehensible to practical people evinces almost exuberant appreciation.

IFAU's size

The size of IFAU is presently sufficient to achieve the critical mass of researchers necessary for an efficient research environment. In our opinion, its present size is just about optimal. Larger size would easily trigger tendencies to internal division or fractionation and, considering the limited recruitment pool for qualified researchers in this field, to lower quality.

11. IFAU's credibility and academic status

It is an inherent fact that evaluation research is politically controversial. This is especially true of an area such as labour market policy with its very large budget and its powerful authorities and stakeholders. Labour market policy is furthermore an area where very large amounts have been invested in various programmes for many years with no assessment of means-to-ends effectiveness worth mentioning. The likelihood is therefore great that evaluations of many programmes point to low means effectiveness and deliver inconvenient conclusions that lead to stormy debates and controversies. Review of IFAU's evaluations also indicates that the means effectiveness of labour market policy really has been low. Despite the large number of critical reports, our main impression is that there has been surprisingly little controversy around IFAU's inconvenient evaluations. Interviews with reference group members also provide a unanimous perception that IFAU's operation has a very high degree of credibility and legitimacy based on the high scientific competence of its officers in combination with an open and critical attitude.

How then does IFAU work to safeguard its credibility and legitimacy? Several, partly overlapping, factors contribute:

- IFAU has pursued a very successful recruitment policy and linked highly qualified researchers in the field to its operation. The agency has therefore been characterised by a high level of professional competence and experience.
- IFAU has also been successful in terms of international collaboration and establishment of networks.
- IFAU's evaluation projects have the character of sophisticated research projects at the front of international research. The agency is to a very high degree permeated by a serious and uncompromising research mentality with all that this entails, and is free of any investigational mentality.
- IFAU has established a very well conceived programme for quality assurance of its reports.
- IFAU has placed very great emphasis on methodological issues and actively pursued methodological development. This can be regarded as a long-term investment with a high yield in terms of credibility and legitimacy. A financially heavy burden in this context is the funding of a professorship in micro econometrics.
- IFAU has also placed great emphasis on data issues and establishment of a database which broadly speaking is freely accessible to other researchers. This allows controversial results to be easily verified by other researchers. The great openness on

the data side is also a major draw for external researchers and provides a high yield in terms of increasing the power to attract external, and perhaps especially international, researchers.

- IFAU has successfully safeguarded its integrity and independence and within a broad framework is free to decide which issues to select for analysis and which theories and methods to apply in the analysis.
- IFAU has as its fundamental policy not to present policy recommendations in its evaluation reports. Results are allowed to speak for themselves. There is a significant difference between presenting critical viewpoints and promoting specific alternative means to achieve a certain goal. IFAU has thereby eliminated an important source of conflicts while also avoiding embroilment in follow-up controversies.
- IFAU invests major resources on distribution of results to, and dialogue with, its clients.

In our opinion, these factors have combined to allow IFAU in a relatively short time to establish itself as a highly credible evaluation institute with a high academic status.