



Toolkit

Responding to major job losses

What kind of support is provided to workers affected by major job losses?

Major job losses may occur when large firms close, downsize or restructure in a single town or city; or when the effects of structural change are felt in communities where affected industries are geographically concentrated. These job losses may be highly uneven in terms of job types and occupation, and in terms of types of worker affected. This toolkit focuses on the workers involved, and on interventions to help improve their economic outcomes and life chances. (We use the terms ‘made redundant’, ‘displaced’ or ‘suffering job loss’ interchangeably.)

The most common form of support provided to displaced workers involves redundancy or ‘severance’ pay to compensate the employee for early termination of their contract. Over and above this, support can also include: education and training; re-employment services; support for entrepreneurship; and counselling and psychological assistance. When these services are provided before the worker leaves their existing job they are often referred to as outplacement services.

Support for displaced workers may also be delivered through mainstream active labour market programmes that try to help all unemployed workers (such as the Work Programme) or through bespoke interventions targeted specifically at the affected workforce. These interventions are offered either before, or shortly after, a worker leaves their existing job.

Sometimes responses to major job losses will take the form of policy to support particular industrial sectors or local areas. For example, support might be offered to workers in industries facing increased import competition such as the US Trade Adjustment Assistance programme. In these cases programmes provide additional support for the affected industry (e.g. through measures aimed at technological adoption to improve productivity) or local area (e.g. tax breaks to attract new industries).

How effective are support measures?

The available evaluations raise some doubts about the effectiveness of **outplacement services**. Of the three evaluations that explore the impacts of outplacement one finds that recipients in Spain experience longer unemployment duration post-redundancy, while a companion study on the same scheme finds positive effects on wages. These findings suggest that the unemployed may hold out longer for a better paying job as a result of outplacement training, whilst those who do not have access to such support accept lower paid employment. A third evaluation, of a Dutch outplacement scheme, finds no significant effects on a range of economic indicators.

Overall results are generally more positive for **retraining post-displacement**, with four out of five evaluations reporting a positive effect on employment rates or earnings or both (although two of these consider the same intervention). This suggests that retraining or reskilling workers may deliver better outcomes than just making workers redundant.

Only one study looks at large, **area-specific support schemes**, finding positive employment and earnings effects that generally look larger than those for more traditional schemes. However, costs for these schemes are also considerably larger (see the discussion of cost-effectiveness below and in the Annex).

Findings across all types of support suggest that the success of support may be dependent upon various characteristics of participants, in particular age and gender. Two out of three studies suggest **larger wage or earnings effects for younger workers**, and two of four studies find **stronger employment effects for younger workers**. There was only one study which finds no significant differences in either wages or employment effects across age groups.

Six studies consider differences by gender with three reporting higher benefits for men than for women, one reporting no difference and two reporting larger effects for women than for men (although these consider the same intervention). One of the studies showing higher benefits for men, reports concerns about the sample sizes for women. Another examines two interventions, only one of which shows larger effects for men, the other showing no differences. Overall, the evidence suggesting that men see larger benefits than women appears weaker than that suggesting larger benefits to younger as opposed to older workers.

Three studies suggest that **a vocational or technical element to training may improve outcomes** (although two of these consider the same intervention).

In line with the more general findings from our employment training review, one study suggests that shorter, more intensive support tends to be more beneficial for higher skilled participants; whilst those in employment for less time prior to redundancy, benefit most from longer-term support.

How secure is the evidence?

This toolkit summarises the available ex-post (i.e. after introduction) evaluations of the effect of support for displaced workers. The majority of the existing literature uses case study approaches or qualitative

interview techniques, often involving small numbers of participants to assess the impacts of policy responses to economic shock and redundancy. This toolkit does not consider this evidence. Instead, we focus on evaluations that identify effects which can be attributed, with some degree of certainty, to the support provided. (More details and discussion of our inclusion criteria are covered in the annex.)

We found 11 evaluations that meet our minimum evidence standards. These consider seven different schemes (four schemes were the subject of two related studies considering different aspects of the schemes).

The majority of studies evaluate European programmes (in Austria, France, the Netherlands, Spain and Sweden) while three studies consider programmes in the United States.

No studies evaluating UK policies or support mechanisms met the evidence standards for inclusion in this toolkit.

Is redundancy support cost-effective?

There is little information available on the cost-effectiveness of interventions.

The costs of interventions to support workers made redundant as a result of major local shocks can be substantial, in some cases in the order of tens (or even hundreds) of millions of pounds. Unfortunately, it is unclear how to compare these costs to benefits. Calculations in the annex suggest that when comparing two area-based interventions the smaller programme looks more cost-effective in terms of providing support to directly displaced workers, but the larger programme may have delivered wider area benefits that are not considered in the evaluation.

The two studies that consider community college schooling in the US suggest that the benefits outweigh the costs. The benefit cost ratios appear to be higher for younger workers (2.02 for men and 2.55 for women) than for older workers (1.20 for men and 1.62 for women).

One Austrian study compares estimates of increased tax revenues to public sector costs suggesting a benefit cost ratio of around 2.3. However, this calculation ignores private benefits and costs (the majority of the latter borne by the private sector).

Things to consider

- When should support be provided? There is some evidence to suggest that re-training post redundancy may be more effective than outplacement pre-redundancy. This finding runs counter to some of the case study evidence, highlighting the need for further evaluation to help clarify whether the timing of support matters.
- What type of workers will benefit most? There is some evidence that younger workers may benefit more than older workers, especially given that younger workers are likely to stay longer in the workforce. This raises questions about how best to support older workers.
- Should the support provided vary by experience and skill? There is some evidence that a targeted approach, dependent on characteristics of those receiving support, may be more successful. The impacts of training, for example, seem to vary depending on the skills level of the recipient, with higher skilled users apparently responding better to short-term interventions.
- Should training be technical or non-technical in nature? The evidence from two studies (that look at the same programme) suggest that technical courses provide larger wage effects than non-technical courses.

- How long should training courses be? Evidence from one study suggests that shorter courses (less than one year) have larger effects for more experienced workers and longer courses (more than a year) are better suited to less experienced workers.
- Should support be general or tailored to individuals? One study suggests that a higher proportion of expenditure allocated to individual case management is positively associated with re-employment rates.
- Will support provide value for money? The costs can vary a lot across programmes so it is important to monitor and evaluate their impact. In particular, we need to know much more about the wider benefits that arise from area-level schemes as these look expensive in terms of the direct support provided.

Annex: Evidence on Supporting Workers in Response to Major Job Losses

What kind of evidence do we consider?

The aim of our toolkits is to summarise the available ex-post (i.e. after introduction) evaluation evidence on particular aspects of policy design – in this case support for displaced workers. We consider a wider range of evaluations than for our evidence reviews. But we continue to focus on finding and summarising evaluations that identify effects which can be attributed, with some degree of certainty, to the support provided.

Our objective is to assess the quality of, and summarise the lessons from, the available evaluation evidence in a way that can help inform policy decisions. We focus on summarising the findings from available evaluations, while recognising that additional sources of evidence (e.g. supply chain analysis, case studies) may play an important role in making good decisions around support provided in any specific context.

In this case we look at interventions that aim to help workers affected by major job losses, either due to a major employer closing, downsizing or restructuring in a single town or city; or when the effects of structural change are felt in communities where affected industries are geographically concentrated. (In what follows, we use the terms ‘made redundant’, ‘displaced’ or ‘suffering job loss’ interchangeably.)

We focused on evaluation evidence from OECD countries, in English. We considered any study that provided before and after evidence; or cross-sectional studies that compared individuals receiving support to those not receiving support (or that compared those receiving different levels of support). We also included more robust studies that compared changes for participants with a suitable control group. That is, we included evidence that scored 2 or higher on the [Maryland Scale](#).

Using these criteria, we found 11 studies that looked at the impact of support on employment and wages. These studies considered seven different schemes (one study considered two schemes, while two schemes were covered twice in related studies considering different aspects of the scheme).

How effective are support measures?

The available evaluations raise some doubts about the effectiveness of outplacement services.

Study ES14 evaluates Spanish outplacement services that consist of helping participants (workers who are about to be made redundant) to recognise their abilities and use effective tools for job search. The evaluation uses non-parametric matching methods to assess the impacts of outplacement services in Spain between 1998 and 2003 (SMS 2). It concludes that users of outplacement services in Spain experience a *longer* duration of unemployment, compared to those not receiving support. Specifically, results suggest that unemployment durations are longer by three months for those receiving individual outplacement, and two months for those receiving group outplacement, compared to those not receiving support.¹

One possible explanation of this finding of higher unemployment duration is what’s known as the ‘reservation wage’ effect, where those receiving support are less willing to take employment which is

¹ Group outplacement refers to support provided to a set of workers, usually belonging to homogeneous organisation levels and areas.

of a lower ‘quality’.² That is, there may be a trade-off between quality of employment outcomes (as reflected in the wage) and speed with which a new job is acquired. Study ES15 (SMS 2) suggests that this may be the case. The evaluation in ES15 extends ES14 by using the same methodology to look at the wage effects of Spanish outplacement services. The results suggest that on average outplacement is associated with higher wages for participants relative to non-participant displaced workers: by between 17% and 26% for women and by 28% to 42% for men (in both cases the lower impact is for group outplacement services and the higher impact is for individual services). On the face of it, this would suggest that individualised support helps displaced workers move on to better / higher paying jobs. Unfortunately, the study is unclear how much of the difference can be attributed to such differences in strands of the programme, as opposed to different types of workers chosen to participate in each programme strand.

Study ES13 evaluates the impacts of both severance pay and outplacement in the Netherlands. The outplacement services help workers who have been given notice of redundancy. The aim is to smooth the transition between jobs, hopefully without an intervening spell of unemployment. These services include: psychological support, self-evaluation (aimed at helping the employee understand their skills), short training, and job application support. The study uses a Hazard Rate and Probit models to evaluate the impact of redundancy support between 2002 and 2010 (SMS 3). The study finds that overall, there is no effect of either severance pay or outplacement on the probability of moving from job to job, unemployment duration, wages or job stability.

Overall results are generally more positive for retraining post-displacement

Study ES11 evaluates the impact of the ‘Convention de Conversion’ retraining programme, set up in France during the 1980s to improve the labour market prospects of displaced workers. The support included a range of interventions over a 6-month period *post*-redundancy, including retraining and job-seeking assistance, and was provided to redundant workers immediately upon displacement. Assistance was provided for workers up to 57 years old, with at least two years in their previous firm. The evaluation uses propensity score matching to model the effects of the scheme on the re-employment rate of participants (SMS 2) between 1995 and 1998. The results suggest that the proportion of time spent in employment is approximately six percentage points higher in the second and third years after participating in the programme, compared to non-participants.

Study ES1 evaluates the impacts of support provided by the Steel Foundation to Austrian steel workers made redundant during the structural changes affecting the industry in the 1980s. The Foundation, established in 1987, offered a range of support mechanisms to redundant workers, including psychological support programmes, support for new firm formation and re-employment services. Redundant workers also committed to a compulsory full-time training programme, alongside a six-week occupational orientation seminar. The study analyses the effects of the training element of the programme on employment and earnings between 1987 and 1998 using an instrumental variable approach (SMS 3).³ The study finds that training increases employment and earnings. On average, five years after participation, redundant workers who received support have 37 days of additional

2 Note that Study ES14 simply equates higher quality with higher wages. The study suggests that the ‘reservation wage effect’ allows workers to seek “a job more appropriated to unemployed worker’s characteristics”, so this is also a factor of quality, although it cannot be measured.

3 The study uses two instruments, one based on previous affiliation with a specific firm as predictor of entry into training; the second on “information channels” between employed and redundant workers, using the percentage of redundant workers in each firm. Whilst this approach has the potential to be SMS 4 we note some concerns over the quality of implementation.

employment per annum⁴ and 4.5 percentage points higher earnings growth, when compared to redundant workers not supported by the Steel Foundation. It is unclear as to how this earning effect decomposes into hours effects and wage effects.

Study ES4 evaluates the impacts of benefits provided as part of the Trade Adjustment Assistance (TAA) programme between 1988 and 1989, which offered unemployment compensation and re-employment adjustment services to workers who lose their jobs due to increased import competition in the United States. Similar to ES1, the programme offered a variety of support measures, including training and re-employment help, although the TAA programme was developed in the context of a national response to displacement related to increased import competition, rather than in response to structural change in a particular industry. As with ES1 we focus on the component of the study that evaluates the impact of training on individuals receiving Trade Readjustment Allowances (a form of extended unemployment insurance benefit) alongside training for re-employment, and compares this to those who received TRA but did not also undertake training (SMS 3).⁵ The analysis finds that overall there is no significant evidence that training enhanced the weekly earnings of participants 3-years after participation.

Study ES12 evaluates the impacts of Community College upon those made redundant in the United States between 1987 and 1995. Whilst Community College is not a specific displacement policy, many courses it provides are funded under policy put in place to support displaced workers, such as the Trade Adjustment Assistance Act (TAA) and Title I of the Workforce Investment Act (WIA). Most displaced workers who receive subsidised retraining participate in programmes authorised under WIA. To provide for these training services, the federal government allocates funds to state and local authorities. These funds are frequently spent on regular two-year community colleges courses, where workers usually take classes with non-displaced workers and full-time students. The study uses panel data to control for worker-specific time trends as well as fixed worker characteristics (SMS 3). Findings suggest a positive impact of community college training on earnings of 9% for men and 13% for women. The study estimates that about one third of this effect is due to increased wage rates, and about two thirds to the increased probability of working and more hours worked. Examining the same college system, with some additional years of data, study ES18 broadly confirms these findings.

Area-specific support

Large, area-specific support schemes, may have bigger effects, but costs are also larger.

Study ES3 evaluates the impact of two Swedish programmes put in place to respond to plant and shipyard closures in the 1980s. The first programme was put in place to respond to the closure of the Uddevalla Shipyard, the second to respond to the closure of the LKAB mining company. Using longitudinal data the study estimates linear probability models to consider the employment and unemployment impacts of these programmes between 1985 and 1999 comparing workers supported by the Uddevalla and LKAB programmes to workers displaced due to wider Swedish plant closure in the late 1980s, not receiving such support (SMS 3).

The Uddevalla Shipyard opened in 1946, but following losses, employment was reduced from 3,700 staff to 2,700 in 1963. In December 1984 the yard was closed, and a number of policy measures were

4 Which would appear to equate to an increase of 17% based on the 220 average for the control group as reported in the study. Unfortunately, the study is unclear on whether this comes from higher employment rates or longer employment spells. On the basis of descriptive statistics provided in the study it seems likely that the former explains more of the effect.

5 The TAA programme was established by the Trade Act 1974. In 1988, amendments were made to the act that mandated training. Paper ES4 explores the impacts of training both before and after the 1988 amendments.

put in place to support workers made redundant. As well as traditional labour market and industrial policy measures, the programme included the construction of a motorway (linking the town with Gothenburg), the building of a tourist centre and tax rebates in order to persuade Volvo to locate an automobile assembly plant on the old yard site. The total cost of the programme was SEK 1,482 million (approx. £131 million), of which SEK 127 million (approximately £11 million) was spent on the labour market interventions, SEK 350 million (approximately £30 million) on industrial policy measures and the remainder on the motorway.

The evaluation suggests that this support had positive effects on employment for Uddevalla workers relative to the comparison group. In the short-run, employment probabilities for Uddevalla workers were 3.4 percentage points above the control group of workers displaced due to wider Swedish plant closures. This positive effect increased to 6.2 percentage points in 1989 (four years after closure) and 10 percentage points in 1999 (fifteen years after closure). Results for unemployment were similar, while the long run effect on earnings was also positive and significant with supported workers earning 20% more than unsupported by 1999.⁶ Note, however, that the differential for earnings appears to be driven entirely by increased employment rates rather than increased wages.

Study ES3 also evaluates the programme of support in response to mine closure and cutbacks by the state-owned LKAB mining company. Reflecting wider Western European experience cutbacks were made at two mines, and a third was closed, resulting in a total of 1,800 workers being made redundant, from an employment base of approximately 6,000. The response to these job losses, the bulk of which occurred in 1983, was a series of severance payments and redundancy awards, alongside the establishment of a special organisation for facilitating and finding new jobs for redundant LKAB workers - the Malmfaltsdelegation. This was granted funding of SEK 309 million (approx. £27 million) of which SEK 262 million was for job creation measures (relief works and special projects), SEK 14.5m for labour training with the remainder spent on administration and follow-up studies.

In contrast to findings for Uddevalla, for LKAB, ES3 finds negative short-run effects on annual earnings or the likelihood of employment or unemployment (in 1985 and 1986). Effects turn positive by 1988, with employment probabilities for supported workers 3.6 percentage points above unsupported, increasing to 7.9 percentage points by 1999. Results are similar for unemployment, while long term effects on earnings are around 21% by 1999. The earnings effect appears to come largely through the increased probability of employment rather than differentials in wage rate or working time. The study suggests that the identification of positive effects only in the longer term may reflect the returns to education provided via the programme.⁷

Both the Uddevalla and LKAB programmes were designed with a long term perspective, to help local economies and affected workers adapt to change, although each took a different route. For both Uddevalla and LKAB, the employment and earnings effects are larger than those reported for more traditional schemes. Of course, the costs are also considerably greater – an issue we return to below.

6 Short run effects are even larger with supported workers earning 35% above those not receiving support in 1983 although this is likely due to receipt of a more favourable 'severance' payments. The effect is negative in the mid-1980s, increasing again to approximately 20% higher than those not receiving support by 1990.

7 Both the Uddevalla and LKAB programmes focused on providing basic education to displaced workers, given both metalworkers and miners in the 1980s often had low levels of formal schooling.

Differences in effects by gender

Differences by gender are scheme specific – sometimes men do better, sometimes women.

Study ES11 considers whether impacts of the French ‘Convention de Conversion’ differ by gender. Effects are larger for men than for women (approximately 10 percentage point increase in proportion of time spent in employment for men, compared to 5 percentage points for women).

Similarly, ES15 suggests that Spanish outplacement services are associated with higher male than female salaries (average annual gross wage is around 28-42% higher for men and 17-26% higher for women. In both cases the lower impact is for group outplacement services and the higher impact is for individual services). Unfortunately, as mentioned above, it is unclear how much of the difference can be attributed to higher employment opportunities, selection on to the programme and differences in treatment. Consistent with the reservation wage explanation, study ES14 finds that these salary differences are reflected in terms of unemployment duration (with male participants experiencing longer unemployment durations, but with no effect for female unemployment duration).

Study ES3 reports little difference between effects for men and women. For earnings, there are no significant differences between men and women for either the Udvella or LKAB interventions. For employment, there is some indication of a smaller effect for women in the long run for the Udvella intervention but no difference for the LKAB intervention.

Finally ES1 finds insignificant effects of Steel Foundation support in terms of employment and earning growth for women, compared to significant positive effects for men, although the study notes this may be because of the smaller sample size for women. Effects on earnings growth for women are positive and significant, but smaller than for men: 1.9 percentage points compared with 4.5 percentage points.

In contrast to the pattern in ES11, ES15 and ES3, for community college, ES12 finds evidence that women benefit significantly more than men (overall a 9% increase in earnings for men and 13% for women for one year of additional schooling). Examining the same college system, with some additional years of data, study ES18 confirms the larger earnings effects for women than for men (even when allowing for differences by age – see below).

Differences in effects by age

Younger workers may benefit more than older.

In addition to considering differences by gender, Study ES11 considers whether impacts of the French ‘Convention de Conversion’ differ by age. Effects are larger for younger than for older workers (approximately 7 percentage points increase in proportion of time spent in employment for 30-50 year olds, compared to approximately 2.5 percentage points for over 50s). The largest estimates are for the youngest workers (under 30s) but these are insignificant, possibly due to the much smaller sample for this group.

For Steel Foundation support, ES1 finds a similar pattern to ES11 reporting significant positive income effects for young workers (less than 22 years of age) and those aged between 23 and 36, but no effect for workers above the age of 36. It is important to note that the study speculates that this may result from data problems (specifically that calculations of monthly earnings may be inflated for

younger workers who are more likely to work part-time). ES1 also suggests that the most significant impacts on income are experienced by those who were below the median of the income distribution prior to redundancy, with those earning in the highest quartile experiencing a negative programme effect. Overall, these results suggest that the Steel Foundation programme may be more beneficial for younger, lower (pre-redundancy) income workers.

Study ES13 suggests that the findings on employment effects by age don't necessarily generalise. It finds insignificant effects for young people's likelihood of moving to another job immediately after redundancy, whilst the impacts for over 55 year olds are 1.7 percentage points for outplacement. Similarly, the effects on unemployment appear to be greater for those over 55. However, as for ES1, wage effects appear to be stronger for recipients under the age of 35 (17% above the average for a new job) compared to older participants.⁸

Study ES18 examines the impact of Community College on older workers. It looks at the same college system as study ES12 but concentrates on the effect for redundant workers over the age of 35. The study finds that one year of additional schooling increases wages by about 7% for older men and 10% for older women. Although older displaced workers are less likely to participate in college, the effect of participation on wages is the same as for the younger group. This suggests that older workers are just as able as young workers, to use Community College to acquire new skills.

Type of support

Course content and course length may influence effectiveness

For community college, study ES12 finds earnings impacts vary between types of courses. Courses focused on technical or vocational education (e.g. maths, sciences, technical trades) are estimated to increase earnings by 14% for men or 29% for women. In contrast, non-quantitative/non-technical courses (e.g. humanities, social sciences, sales) deliver no statistically significant impacts on earnings. It is estimated that about a third of the positive impact for technical/vocational arises from increased hourly earnings, with the remainder attributable to increased hours in work.

Study ES18 largely confirms the results of ES12: quantitative or technically-oriented courses were associated with wage gains of 10% for men and 30% for women, whereas courses covering other content had no statistically significant effect on participants' wages.

Study ES11 finds that relatively short training programmes (defined as less than one year) have the greatest benefits for workers who had a higher ability and a longer work history. Training combining vocational and general education, which corresponds generally to longer programmes (defined as more than one year), was better for workers with lower past experience.

Intensiveness of support

Study ES17 provides an evaluation of the European Globalisation Adjustment Fund (EGF), established to support workers who had lost their jobs in large scale redundancies resulting from changes in global trade patterns. A range of support measures were provided by the EGF to dismissed workers, such as information, advice and guidance through individual case management; specific training measures; employment and recruitment incentives; measures to support self-employment; other financial allowances to support job search, and subsistence allowances alongside training.

⁸ The study also reports no effect for job stability (defined as duration of first job post-redundancy) although it is unclear on whether this is the average effect or whether there is no effect across different age groups.

The study presents an overview of 73 case studies and evaluates the impact of EGF funding on re-employment. Only one small element of the study, concerning the impact of policy mix on re-employment rate, meets our evidence standards. Using cross-sectional data on EGF regions and controlling for regional characteristics (SMS 2) this element of the study finds that the proportion of EGF expenditure allocated to individual case management (as opposed to e.g. training/retraining, or job search allowances) is positively associated with the re-employment rate. The study finds that a 10% increase in the proportion of individual case management outputs results in a 1.1% increase in re-employment rates across the 73 case studies.

Cost Effectiveness

Study ES12 estimates the social cost of providing community college schooling for displaced male and female workers, taking into account the cost of training, welfare costs and estimated foregone earnings. The estimates suggest a social cost of \$18,000 (approx. £13,700)⁹ for females and \$19,000 for males (approx. £14,400). However, the estimated wage benefits outweighed these costs – there was a return relative to investment of 10% for men and 17% for women on technically focused courses, which make up half of all courses taken by men and a third taken by women, with lower returns on other types of course. For the same college system, study ES18 estimates social benefit cost ratios that are higher for younger workers (2.02 for men and 2.55 for women) than for older workers (1.20 for men and 1.62 for women). This finding comes from assuming that older workers have less time left in the workforce for the wage increases to pay off compared with younger workers.

The costs of interventions to support workers made redundant as a result of major local shocks can be substantial. For example, the total cost of the Uddevalla programme was around £131 million which equates to around £60,000 per displaced worker (2,163 individuals were employed at the shipyard immediately prior to closure). The LKAB intervention was smaller, both in total at around £27 million and per worker at around £15,000 (1,829 workers were laid off).

Of course, these programmes are not directly comparable: the first cost more and pursued wider objectives; the second cost less and was narrower in scope. A better comparison might therefore consider the costs of benefits directly focused on supporting displaced workers. In the case of Uddevalla around £11 million was spent on labour market interventions amounting to around £5,000 per worker. Costs are a nearly triple that for LKAB (about £15,000 per worker) but this includes a large component of job creation measures.

Taken at face value the LKAB intervention looks more cost effective than Uddevalla, when we focus on worker outcomes. Long run effects on employment probabilities were only slightly larger for Uddvalla (10% as opposed to 8% higher), while effects on earnings were slightly larger for LKAB (21% as opposed to 20% higher). But, of course, components of the Uddevalla deal (e.g. the industrial policy measures and the new motorway) almost certainly had wider benefits beyond those immediately displaced.

Study ES2¹⁰ provides evidence of scheme fiscal costs and benefits. It finds that the overall costs of the Austrian Steel Foundation's re-training programme was \$66.9 million (approx. £51 million), which is split three ways between steel firms themselves, the Foundation, and Austrian Government, with a total public cost of \$22million (approx. £17 million). For the year 1998, total costs per trainee were \$4,700 (approx. £3,500) for scholarships and family allowances plus ATS \$5,700 (approx. £4,300) as other costs (infrastructure, trainers, seminars, etc.), not including the prolonged duration of unemployment benefits.

Based on estimated wage gains for participants ES2 models an increase of tax revenues of around \$51 million (approx. £39 million). This is more than the public cost of \$22 million (approx. £17 million) and suggests that the programme was cost-effective from the perspective of public finances. Note that this calculation ignores private benefits and costs (the majority of the latter borne by the private sector).

9 Throughout this Toolkit, currency conversions into GBP are based upon current exchange rates, and do not necessarily reflect exchange rates at the time of publication.

10 Paper ES1 itself does not consider cost effectiveness, but it references ES2a working version of ES1 which provides a more detailed assessment of cost effectiveness.

References and study numbers

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