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Gregorio Avilés

# **Does secondary labour market improve the individual quality of life? Evidence from an empirical evaluation<sup>1</sup>**

## **Abstract**

**Background:** A secondary labour market has developed in Switzerland during the last decades thanks to the joint initiative of public administrations and non-profit organisations. The main goal of the secondary market is the work integration and the social inclusion of “hard-to-place” unemployed people.

**Aim:** To evaluate the impact of secondary labour market on the individual quality of life.

**Design:** The study draws on three waves of observational data coming from a panel of 110 social assistance recipients in Canton Ticino.

**Measures:** Seven indicators of psychological, physical, social and material well-being.

**Method:** The statistical analyses are carried out by means of hybrid random effects linear regression models.

**Results:** We recorded a positive effect on the psychological and the financial dimensions of well-being. Surprisingly, the average impacts on physical well-being and social support are negative.

## **1 The secondary labour market model**

Since the 1990s, the main Swiss regimes of social security – including social assistance – have undergone major reforms that can be linked to the spread of a new welfare state paradigm based on activation policies (Bertozzi et al. 2008). The activating welfare state is based on the idea that unemployment, poverty and social exclusion must be resolved by encouraging or forcing welfare recipients to participate in the conventional labour market.

One of the preferred tools for supporting the activation of the hard-to-place unemployed is subsidised employment. Workers are placed in jobs which are usually supplementary and financed with public funds

(Hansen et al. 2002). This study focuses on one specific form of subsidised employment, i.e. the secondary labour market, which consists of temporary job placements in the public and non-profit sectors.

A secondary labour market has developed in Switzerland thanks to the joint initiative of public administrations and private non-profit organisations (Baur et al. 1998). Here we adopt a limited definition of this concept, taken from Baur and colleagues (1998) and adapted to the conditions currently in force in Switzerland. The secondary labour market is characterised by the following five criteria:

- › The jobs are funded mainly by public bodies. Unlike social enterprises, which can also receive public financing, the programme organisers generally take on a limited economic risk.
- › The jobs are *not* normal in terms of labour law, social law and pricing. There is no provision for the payment of wages, not even a partial wage (i.e. a wage below the usual or legal minimum), nor of the relative social security taxes. At most, a modest financial incentive is offered.
- › The work is of limited duration.
- › The employment criteria do not comply with the principle of supply and demand, but with labour and social policy goals. In the Temporary Employment Programmes of the Unemployment Insurance, the aim is to achieve work integration, while the central aim of social assistance programmes may be social inclusion<sup>2</sup>.
- › The productive activities are, in principle, separate from the primary labour market, are complementary and should not constitute a form of competition with regular jobs.

The large body of literature applied to ALMP's evaluation has focused mainly on the employment outcomes of the secondary market, i.e. on its ability to foster and accelerate the return to paid employment, and end recourse to social security regimes (Card et al. 2009; Kluve 2005). Microeconomic analyses conducted both at an international level and in Switzerland show that job creation programmes in the public sector have usually insignificant and often negative effects on a person's chances of finding regular employment (Card et al. 2009; Kluve 2005; Gerfin et al. 2005; Lalive et al. 2008; Aepli/Ragni 2009; Bonoli et al. 2008). Still, the effectiveness seems to be greater for specific socio-demographic groups, particularly for the long-term and the hard-to-place unemployed (Caliendo et al. 2005; Gerfin et al. 2005).

Conversely, the evidence regarding the impact on quality of life (QoL) is very limited. However, the evaluation of the “social” effectiveness is a crucial task. Firstly, improving labour market prospects is partially dependent on the improvement of psychological well-being, social skills and health (Roques 2008). Secondly, while social inclusion and improving capabilities are at best intermediate objectives in terms of activation, from the point of view of social services they can often be regarded as ultimate objectives (Kauppi 2006)<sup>3</sup>. The social benefits of the subsidised market assume even greater importance when considering the collective impacts they can generate in terms of lower indirect costs of unemployment, reduced social inequalities and strengthened social capital (Marée 2005).

Therefore, this research aims to quantitatively evaluate the average effect of the secondary market on the participants’ QoL and to provide evidence on the heterogeneity of the secondary market effects. Chapters concerning Research field, Discussion of the findings and Policy recommendations also draw on qualitative data collected with the main stakeholders of secondary labour market programmes for the social assistance recipients in the Canton of Ticino<sup>4</sup>.

## 2 Defining and measuring QoL

In general terms, QoL may be defined as “an evaluation (a value judgment) of major aspects, or of the whole, of a life or a society” (Gasper 2010)<sup>5</sup>. The literature on QoL is profoundly multidisciplinary and includes a wide range of interpretations of well-being, with a great risk of simplification. By adopting a broad, interdisciplinary view, Phillips (2006) identified five main research areas focusing on individual QoL: the subjective or psychological well-being, the health-related QoL, the utilitarianism, the approaches based on needs and capabilities, and the studies on poverty and social exclusion.

It has now been well established that the use of indicators that are unidimensional might leave a large unexplained margin in the representation of the real conditions of individual well-being. The adoption of multidimensional concepts of QoL, measured in relation not only to the material dimension, but also to the psycho-physical, relational and environmental dimensions, is therefore justified. The literature contains proposals of various lists of dimensions, needs, functionings and capabilities that are considered relevant for defining the QoL. For example, Shalock (2004) identified the following fundamental domains: emotional well-



being, interpersonal relationships, material well-being, personal development, physical well-being, self-determination, social inclusion and rights.

Indicators of QoL may be (subjective) perceptions or (objective) behaviours and conditions specific to a sphere of life that provide an indication regarding the well-being of a person (Schalock 2004). The objective indicators, such as housing, leisure activities, living environment, finances and work, are not sufficient to define QoL; in fact, people react differently to the same circumstances, and they evaluate conditions based on their unique expectations, values, and previous experiences (Diener et al. 1999). Therefore, objective indicators tend to be only relatively weakly associated with people's experiences, as measured by happiness or life satisfaction (Huppert et al. 2009). Such an argument clearly shows the need to adopt a subjective approach to the study of QoL. However, respondent's self-reports might be subject to volatility and can be a reflection of transient circumstances and be particularly sensitive to comparisons with other times in a person's life (Phillips 2006). Moreover, the relevance of the subjective approach can be challenged by the adaptive preferences or the "false consciousness" frequently observed among highly deprived groups of the population, who nevertheless report a high level of well-being (Halleröd 2006). Therefore, objective and subjective indicators are complementary in defining QoL.

### 3 Secondary labour market and QoL

The survey particularly benefits from the rich vein of studies applied to assessing the effects of work and activation on psychological well-being and health-related QoL. There are many literature reviews and meta-analysis confirming the beneficial effects of re-employment on QoL related to psychological well-being and health, although the positive effects could be limited to those finding a job of good quality (McKee-Ryan et al. 2005; Waddell/Burton 2006; Paul/Moser 2009). Conversely, only a few empirical studies assessed the QoL impacts made by programmes that can be traced back to the secondary labour market model (Oddy et al. 1984; Korpi 1997; Vuori/Vesalainen 1999; Strandh 2001; Westerlund et al. 2001; Lakey/Bonjour 2002; Wulfgramm 2011; for Switzerland Martinovits-Wiesendanger et al. 2000; Aeppli et al. 2004). Furthermore, these evaluations mainly focus on psychological well-being; less attention has been paid to physical health and social inclusion. The small number of studies, the heterogeneity of the programmes, the methodological limits and the partial inconsistency of the results, prevent us from drawing solid conclusions. Yet, in most studies

the overall participants' QoL appears better than that of the unemployed. However, when compared to those who have a regular job, the effectiveness of employment programmes appears to be limited. Moreover, in the medium and long term, the effects are mediated by re-employment.

Two theories are most commonly used to explain the beneficial impacts of work on QoL: Jahoda's latent functions theory and Fryer's agency restriction theory (Jahoda 1982; Fryer 1986). Both are psychosocial in type, and in some ways oppose one another without being mutually exclusive. They are useful in order to evaluate the potential impacts made by the secondary market on QoL.

According to Jahoda, in modern societies work ensures five immaterial benefits – otherwise referred to as latent benefits – which normally generate psychological well-being: a time structure, social contacts and experiences shared with people outside of the nuclear family, a sense of collective purpose, an enhanced social status and regular activity. The experience of unemployment, even with adequate financial compensation, would therefore be detrimental for mental health, since it deprives people of the latent benefits of work. Jahoda's theory has been expanded by Warr (1987), who included other immaterial functions such as physical and mental activity, use of skills, decision latitude and "traction" – a motivation to go on from one day to the next. Fryer's theory, on the other hand, emphasizes the need for individual self-determination, together with the material benefit of work, i.e. income. Most people would consider the financial benefit of work to be its redeeming feature, since it ensures a certain degree of self-determination.

#### 4

#### Research field

The empirical research field consists of the "Attività di Utilità Pubblica" (AUP) promoted by the "Ufficio del Sostegno Sociale e dell'Inserimento", i.e. the Social Assistance and Integration Office of Canton Ticino. This is a secondary market programme which aims to foster the social integration and, where possible, the work integration of hard-to-place welfare recipients. AUP consist of temporary, work-retraining periods, to be completed in the public and non-profit sectors. The contract has an initial duration of six months, but, under certain conditions, may be renewed, even several times. It is not, however, a regular employment contract, and the participant is not paid a salary, but instead receives a monthly integration amount of 200 Swiss francs supplementing the ordinary welfare payment<sup>6</sup>. A lump-sum reimbursement for public transport costs and meals may also

be granted. In accordance with the workfare paradigm, refusal to participate in an AUP without valid and proven reasons involves the risk of incurring a penalty in the form of a temporary reduction of the ordinary welfare payment.

Drawing on Jahoda's contribution, we postulate that AUP has positive effects on time structure, regular activity, new social contacts and the sense of collective purpose. The issue is less clear regarding social status. In all likelihood, the programme can enhance social recognition, since the participants have the opportunity to provide society with a service in exchange for the financial assistance received. Nonetheless, since the inclusion in the secondary market does not take place by means of a regular contract guaranteeing emancipation and financial autonomy, the programme does not liberate the participant from belonging to the stigmatized category of welfare recipients. With reference to personal development and fulfilment, AUP often fosters the use and/or the acquisition of new professional skills. However, it is not always possible to offer work settings close to the primary labour market, or activities matching the training and professional experience of the applicant, which could limit the benefit of AUPs. Furthermore, for some participants the limited duration of the programmes could generate a sense of insecurity (Coutts 2009). Finally, it seems reasonable that the material benefit of activation can alleviate financial precariousness to some extent, but does not significantly strengthen self-determination; on the contrary, it is likely to induce feelings of "exploitation" in some participants. Similarly to Wulfgramm (2011), we advance that the limited professional effectiveness of the programmes, as well as their binding nature due to the fear of being penalised, do not allow individuals to gain greater control over their lives, but could instead reduce it. On the whole, we can advance that the secondary market can partially, but not totally, substitute the psycho-social functions of conventional work.

## 5 Study participants

Like the vast majority of studies in this field, we had to rely on observational data. We adopted a quasi-experimental research design, based on the collection of primary longitudinal data from a panel of 110 social assistance recipients, self-selected from an initial population of 490 people who were either eligible for, or who were already participating, in a programme. A logistic regression analysis indicates that the propensity to respond was greater for those with a tertiary level of education, for those having received social assistance for longer periods, and for people in older age

**Table 1** Participation patterns and number of observations

N. individuals	Percent.	Pattern	N. observations
57	51.82	1 1 1	171
29	26.36	1 . .	29
17	15.45	1 1 .	34
4	3.64	. 1 1	8
2	1.82	. 1 .	2
1	0.91	1 . 1	2
110	100.00	X X X	246

groups, especially those who are more than 50 years old. None of the other socio-demographic variables – i. e. gender, marital status, nationality, place of residence at birth, type of household, having dependent children – were found to have any statistically significant association with the probability of participation.

Data were collected during three successive waves (*t*) at intervals of about nine months: *t1* took place between March and June of 2013, *t2* between November 2013 and April 2014, and *t3* between August 2014 and March 2015. 51.82% of the participants responded to all waves, 20% to two waves, and 28.18% to one single wave. The final data set thus consists of a total of 246 observations (see Table 1).

## 6 Measures

The data collection took place by means of a standardized questionnaire administered in the course of face-to-face interviews. We chose seven indicators among those most commonly used in empirical evaluations, covering four dimensions of QoL. Unlike in most evaluations, we extended the scope of analysis beyond the psychological sphere by including measures of physical, social and material well-being.

*Psychological well-being.* The first indicator records general life satisfaction. This is the cognitive dimension of subjective well-being (Diener et al. 1999). Life satisfaction was measured by asking the following question: “From 0 to 10, on the whole, to what extent are you satisfied with your life?”. The second indicator is a shortened version of the Rosenberg Self-Esteem Scale (Rosenberg 1965). In order not to weigh down the questionnaire, we selected only the five items that have a higher degree of saturation with one of the two latent factors of the scale, namely self-criti-

cism (Prezza et al. 1997). Respondents were asked to state their level of agreement with a series of statements concerning their opinion of and satisfaction with themselves, using a Likert scale with four response options: strongly agree, agree, disagree and strongly disagree. The global self-esteem score was obtained by adding together the scores of the single items: The total score varies within the range of 0–15. The Cronbach alpha coefficient was 0.80 at *t1*, and 0.86 at *t2* and *t3*. Finally, we recorded a summary measure of mental health, namely the Mental Component Summary score (MCS), derived from the Short-Form Health Survey (SF-12v2), probably the most widely-used psychometric test for assessing health-related QoL (Maruish 2012). The answers to the twelve questions of this test yield a standardised score for eight health scales. The scales contributing most to MCS are vitality, social functioning, role-emotional functioning and mental health. Very low scores on MCS reflect frequent psychological distress, social and role dysfunction due to emotional problems, low vitality and poor general health.

*Physical well-being.* We considered the score of a physical health summary measure, derived from the SF-12v2 test, i.e. the Physical Component Summary score (PCS). The scales that contribute most to PCS are physical functioning, role-physical functioning, bodily pain and general health. Very low scores obtained on PCS indicate limitations in physical functioning, role limitations due to physical problems, a high degree of bodily pain and poor perceived general health (Maruish 2012).

*Social well-being.* A two item indicator of perceived social support was recorded. We translated both questions making up the index into Italian, starting from the ENRICH Social Support Inventory – ESSI (Mitchell et al. 2003), an English test consisting of seven items, most of which refer to the emotional functionality of social support. The two selected items have high correlations (0.79, 0.87) with the total ESSI score (Vaglio et al. 2000). The questions led on to the availability of emotional, and affective support: (a) “How often can you count on someone to provide you with emotional support (to talk about problems or help you make a difficult decision)?”; (b) “How often can you count on someone who shows you love and affection?”. The scaling rests on a five-option Likert scale: never, rarely, sometimes, most of the time, always. The total score of the index was obtained by adding together the scores of the two items. The Cronbach alpha coefficient was 0.67 at *t1*, 0.76 at *t2*, and 0.72 at *t3*.

*Material well-being.* We firstly collected a single-item indicator of financial satisfaction, measured on a scale from 0 to 10. The sec-



ond indicator is a two-item index of perceived financial strain. The first item records the degree of difficulty with which respondents manage to “get by” with their current income. A five-option Likert scale was used: with great difficulty, with some difficulty, with neither difficulty nor ease, quite easily and very easily. The second item was translated from a financial strain indicator of Warr and Jackson (1984) and measures the frequency with which the respondent has had serious financial worries in the past month. The respondent was asked to choose one of five possible answers: always, almost always, part of the time, hardly ever and never. The scores were inverted and added together, yielding a financial stress index varying within the range of 0–8. A higher score indicates greater financial stress and thus a lower level of QoL. The Cronbach alpha coefficient was 0.74 at  $t1$ , 0.71 at  $t2$ , and 0.83 at  $t3$ .

*Employment status.* The predictor of interest is a nominal variable consisting of four categories: unemployed people, AUP programme participants, people whose main work is paid employment and people with other employment statuses.

## 7 Statistical analyses

The statistical methods for analysing QoL can be differentiated on the basis of assumptions concerning the nature of the dependent variables and the influence of the unobservable factors. An analysis regarding life satisfaction shows that there are no significant differences between methods that assume the cardinality of the answers and methods based on the assumption of interpersonal ordinality; conversely, the unobservable factors are very important in explaining happiness (Ferrer-i-Carbonell/Frijters 2004). It is therefore appropriate, even in the case of ordinal variables, to use linear regression models that nevertheless examine the influence of those unobserved individual effects that are constant over time.

In order to deal with unobserved heterogeneity, we used a specific regression model for panel micro-data. Starting from the original formula of the “hybrid” random effects model drawn up by Mundlak, Bell and Jones (2014) proposed a variant called the “within-between” model (W-B). This model allows to combine the advantages of random (RE) and fixed effects (FE) procedures. Compared with the standard RE model, the original time-varying variables ( $X$ ) must be replaced with variables centred around the individual means. Moreover, the individual means of all the  $X$  variables must also be added. The formula is as follows:



$$y_{it} = \beta_0 + \beta_1(X_{it} - \bar{X}_i) + \beta_2\bar{X}_i + \beta_3Z_i + u_i + e_{it}$$

where:

- $y_{it}$  is the dependent variable observed for the  $i$ -th individual at time  $t$ .
- $X_{it}$  is a vector of observable time-varying factors.
- $Z_i$  is a vector of observable time-constant factors.
- $u_i$  is the fixed component of the error which includes the time-constant unobserved predictors.
- $e_{it}$  is the random part of the error (i.e. the idiosyncratic term).

Since the model controls for the individual means of the time-varying variables,  $\beta_1$  is an estimate of the within effect identical to that obtained with a FE model (Bell/Jones 2014). Moreover, the RE framework makes it possible to estimate the effect of the time-constant variables ( $\beta_3$ ) and the between effect – i.e. a sort of “durable” impact – of the time-varying variables ( $\beta_2$ ). However, unlike  $\beta_1$ , in order to interpret  $\beta_2$  and  $\beta_3$  in a causal sense, exogeneity with respect to  $u_i$  must still be assumed. Because  $\beta_2$  and  $\beta_3$  cannot be causally interpreted, in the analysis we will mainly focus on the within effects.

Another possible source of endogeneity is simultaneity (Antonakis et al. 2010). In fact, the literature also supports the reverse causality hypothesis; indeed, some studies show small but significant differences between the initial state of health of the unemployed who have been more successful on the labour market and those of people who have experienced greater difficulty (Paul/Moser 2009; Waddell/Burton 2006). We thus checked if there were any initial and substantial differences between the unemployed who changed employment status in the course of the study and those who remained jobless. Whereas the data support the reverse causality hypothesis for people who found a paid job, this does not seem the case for participation in an AUP programme (the only significant difference is related to social support).

Separated W-B regression models for each QoL indicators were estimated by means of Stata 13 software. The control variables are age, gender, marital status, nationality, educational level and having dependent children<sup>7</sup>. With reference to age, the mean variable estimates the effect made on QoL by an additional year of age, while the variable centred around the individual means controls for the temporal trend in the dependent variable.

In order to assess the heterogeneity of the impacts, we tested whether there are any joint effects between the AUP programme, on the one hand, and gender, educational level, having dependent children, age and duration of assistance on the other hand. Each moderator variable was tested separately. For age and duration of assistance, we used the mean variables and specified a linear interaction term, therefore assuming that the effect made by the programme on QoL changes at a constant rate as a function of the change in the moderator.

## 8 Results

### 8.1 *Average within effects of secondary market and of paid work*

The rather limited number of observations and the reduced temporal variability of the predictor of interest have a negative impact on the statistical power of the inferential tests, increasing the probability of making a type II error. We therefore felt that it would be appropriate to move on to a “light” interpretation of the results, in which the direction and the size of the effects are at least just as important as their statistical significance (the same hold, of course, for the moderation analysis).

The overall results of the regression analysis are shown in Table 2.

*Psychological well-being.* The effects made by the programme and by paid work both follow a direction showing a positive impact on the three psychological indicators. However, the impact of the secondary market is never statistically significant, and is always smaller than the impact of paid work. As regards paid work, we recorded a statistically significant effect on life satisfaction and self-esteem. Besides being not statistically significant, the estimates of the effects generated by both the programme and paid work on mental health also fail to reach the minimally important difference value, which is a T-score of 3 (Maruish 2012). It is worth noting that the limited impact of AUP on MCS is due to a negative effect on social functioning and, more noticeably, on vitality. On the contrary, and quite surprisingly, the benefits of the programme on the role-emotional functioning and mental health scales are greater than that of paid work. This could be linked to the poor quality of the jobs by which many participants were reintegrated into the primary labour market<sup>8</sup>.

*Physical well-being.* The effects generated by the AUP programme and by paid work both follow a direction showing a negative impact on QoL. The impacts are not statistically nor practically significant, since the estimates are lower than a T-score of 3 (Maruish 2012). The perceived physical health deterioration linked with the participation in a programme is

**Table 2** W-B regression for the 7 quality of life indicators

Independent variables	Psychological well-being			Physical well-being	Social well-being	Material well-being	
	Life satisfaction	Self-esteem	Mental health	Physical health	Emotional support	Financial satisfaction	Financial strain <sup>a</sup>
<b><math>X_{it} - X_i\text{-bar}</math> (within effects)</b>							
Employment status (ref: unemployed)							
AUP programme	0.228 (0.404)	0.159 (0.457)	0.224 (1.745)	-1.425 (1.589)	-0.313 (0.391)	0.157 (0.433)	-0.264 (0.329)
Paid work	0.949* (0.531)	1.344** (0.578)	2.407 (2.257)	-1.224 (2.055)	0.082 (0.505)	1.048* (0.556)	-0.776* (0.426)
Other employment status	0.523 (0.471)	0.970* (0.520)	3.573* (2.018)	-0.186 (1.838)	-0.959** (0.452)	0.551 (0.530)	-0.343 (0.381)
Age (years)	0.337* (0.184)	0.147 (0.207)	-0.321 (0.791)	-0.868 (0.721)	-0.340* (0.177)	0.419** (0.203)	-0.415*** (0.149)
<b><math>X_i\text{-bar}</math> (between effects)</b>							
Employment status (ref: unemployed)							
AUP programme	0.558 (0.595)	0.866 (0.709)	10.980*** (2.638)	-0.874 (2.123)	-0.095 (0.538)	0.839 (0.686)	-1.155** (0.488)
Paid work	1.415* (0.799)	0.759 (0.977)	6.312* (3.539)	-1.391 (2.839)	-0.851 (0.720)	1.980** (0.922)	-1.203* (0.654)
Other employment status	0.481 (0.733)	0.166 (0.859)	4.821 (3.248)	-0.853 (2.607)	0.095 (0.661)	0.622 (0.832)	-1.285** (0.601)
Age (years)	-0.035* (0.020)	-0.054** (0.023)	-0.059 (0.087)	-0.196*** (0.070)	-0.043** (0.018)	-0.035 (0.022)	0.025 (0.016)
<b><math>Z_i</math></b>							
Gender (1 = male)	1.172** (0.469)	0.399 (0.556)	4.587** (2.072)	5.094*** (1.662)	0.866** (0.421)	0.587 (0.536)	-0.226 (0.383)
Civil status (1 = married)	-0.119 (0.769)	0.159 (0.905)	-2.636 (3.401)	1.035 (2.727)	0.179 (0.691)	0.660 (0.896)	-0.055 (0.629)
Nationality (1 = swiss)	0.394 (0.451)	0.460 (0.537)	3.857* (2.000)	-2.425 (1.605)	0.092 (0.407)	0.298 (0.521)	-0.704* (0.370)
Completed vocational training (1 = yes)	0.120 (0.466)	1.253** (0.558)	1.161 (2.064)	2.179 (1.657)	0.667 (0.420)	0.172 (0.534)	-0.192 (0.382)
Having dependent children (1 = yes)	0.466 (0.608)	-1.009 (0.721)	-1.519 (2.675)	4.261** (2.151)	1.042* (0.545)	-0.942 (0.691)	0.943* (0.495)
Observations	240	234	241	241	241	218	241
Number of units	110	107	110	110	110	106	110
R-squared overall	0.095	0.148	0.195	0.165	0.142	0.110	0.130

Standard errors in parentheses. \*\*\*  $p \leq 0.01$ , \*\*  $p \leq 0.05$ , \*  $p \leq 0.1$ . <sup>a</sup>A negative impact on financial strain reflects a positive effect on QoL.

mainly due to the negative impact made on the role-physical functioning and bodily pain scales.

*Social well-being.* The programme generates a negative, but not statistically significant, impact on emotional support, while paid work produces an effect that is positive, albeit virtually insignificant in size. Both secondary market and paid work have a negative impact on the emotional support item (a). The difference lies in the fact that AUP has no effect on the affective support item (b), whereas paid work produces a positive impact.

*Material well-being.* The effects generated by the programme and by paid work both follow a direction showing a positive impact on QoL. However, the effect of the secondary market is never statistically significant, and is always smaller than the impact of paid work. As regards paid work, we find a statistically significant impact (at the 90% confidence level) on both financial satisfaction and financial strain.

## 8.2 *Heterogeneity of the secondary market within effects*

Tables 3 shows the results of the analysis conducted on the heterogeneity of the secondary market effects.

*Gender.* The programme clearly generates a greater psychological benefit for men than for women. The differential between genders is statistically significant for all the indicators. Similar results are observed for the other QoL dimensions. In fact, gender has a strong moderation effect on the relationship between AUP and QoL, except for physical well-being.

*Age.* The effect of the secondary market on all the psychological indicators increases with age. The impact is on average negative for the younger age-groups, but positive for older participants. The interaction effect is statistically significant for self-esteem and mental health, but also seems evident for life satisfaction. The negative effect on physical health rises as age increases. However, the size of the moderation effect in this case is weak. The negative impact on emotional support decreases as age increases: for the older participants, the programme effect is even slightly positive, albeit virtually insignificant. Finally, the evidence regarding material well-being is inconsistent.

*Level of education.* The educational level has a strong and statistically significant moderation effect on life satisfaction. The interaction effect is less pronounced in relation to the other psychological measures, but the evidence consistently suggests that the effect of AUP is favourable for people who have completed vocational training and is negative for untrained participants. As regards the other dimensions of well-being, the

**Table 3** Interaction effects, and marginal effects made by AUP on different categories of participants

	Psychological well-being			Physical well-being	Social well-being	Material well-being	
	Life satisfaction	Self-esteem	Mental health	Physical health	Emotional support	Financial satisfaction	Financial strain <sup>a</sup>
<b>Interaction with gender</b>							
AUP * male	1.352*	1.702*	8.445***	0.636	0.927	0.704	-0.546
AUP marginal effect							
female	-0.642	-1.006	-5.213*	-1.835	-0.910	-0.273	0.087
male	0.710	0.696	3.232	-1.198	0.017	0.430	-0.459
<b>Interaction with age</b>							
AUP * age (years)	0.050	0.064*	0.380***	-0.014	0.036	-0.005	-0.025
AUP marginal effect							
25 years old	-0.784	-1.155	-7.469**	-1.132	-1.048	0.255	0.249
35 years old	-0.284	-0.517	-3.665*	-1.277	-0.685	0.202	-0.005
45 years old	0.217	0.120	0.139	-1.422	-0.321	0.149	-0.259
55 years old	0.718	0.758	3.943*	-1.567	0.042	0.096	-0.512
<b>Interaction with educational level</b>							
AUP * completed vocational training	2.349***	0.648	2.256	1.387	0.123	0.303	-0.262
AUP marginal effect							
without vocational training	-1.588**	-0.345	-1.521	-2.498	-0.409	-0.077	-0.062
completed vocational training	0.761*	0.303	0.735	-1.111	-0.285	0.226	-0.324
<b>Interaction with assistance duration</b>							
AUP * assistance duration (years)	-0.056	0.052	0.426	-0.245	0.032	0.163	-0.102
AUP marginal effect							
2 years	0.372	0.036	-0.388	-1.008	-0.363	-0.134	-0.097
4 years	0.261	0.140	0.464	-1.498	-0.298	0.192	-0.301
6 years	0.150	0.244	1.316	-1.988	-0.233	0.518	-0.506
8 years	0.038	0.348	2.168	-2.478	-0.168	0.844	-0.711
<b>Interaction with dependent children</b>							
AUP * with dependent children	-1.539*	-2.977***	-9.613***	3.945	-0.902	-0.793	0.493
AUP marginal effect							
without dependent children	0.638	0.812	2.783	-2.475	-0.073	0.372	-0.395
with dependent children	-0.901	-2.164**	-6.830**	1.469	-0.975	-0.421	0.098

\*\*\*  $p \leq 0.01$ , \*\*  $p \leq 0.05$ , \*  $p \leq 0.1$ . <sup>a</sup>A negative impact on financial strain reflects a positive effect on QoL.

moderation effect is weak, but always advantageous for people with completed vocational training.

*Assistance duration.* On the whole, material well-being is the only QoL sphere whose moderation effects are coherent and of substantial intensity. The findings show that the benefit on the financial dimension is more pronounced for those with longer periods of assistance. This could reflect a process of adaptation to a lower standard of living, whereby the small financial incentive makes a bigger difference for the long-term assisted people.

*Having dependent children.* For people with dependent children, the programme has a negative impact on psychological, social and financial well-being, while the opposite result is generally recorded for people without dependent children, except for emotional support. On the contrary, as regards physical well-being, a negative impact is observed for people without dependent children, and a positive impact for participants with dependent children.

## 9 Discussion

### 9.1 Strong points and limits

This study helps fill a gap in the field of Swiss activation policies evaluation. In fact it is, to our knowledge, the first systematic investigation of the social impacts of the secondary market, conducted by means of quantitative QoL indicators that have already been validated in numerous international studies. Together with psychological well-being, undoubtedly the aspect most analysed in the literature, we included indicators of physical, social and material well-being, in this way providing a relatively broad-based view of QoL. However, it would be useful to further extend the range of QoL indicators. As regards psychological well-being, one could integrate the elements associated with the eudaimonic approach to QoL, e.g. purpose in life and personal growth (Ryff 1989). In addition, the impacts of activation on health-related behaviours, such as the consumption of alcohol, tobacco and drugs, would deserve greater focus, particularly with regard to the more disadvantaged people. Social support could be combined with other subjective indicators of social health, such as the perception of integration and of social contribution (Keyes 1998; Brown 2003), as well as with more objective indicators that evaluate the extension of the social network and the frequency of interpersonal contacts. The same applies to the use of more objective indicators of the financial domain.



From a methodological point of view, the main limit of this analysis is the lack of experimental data that escape the selection effect and therefore ensure “treatment” exogeneity. The longitudinal structure of the data nonetheless makes it possible to control for unobserved heterogeneity. As regards simultaneity, the bivariate analysis does not clearly support the inverse causation hypothesis for the secondary labour market, but this source of endogeneity cannot be controlled for in the regression models. A further drawback is the limited time span, which only allows the estimation of short-term impacts<sup>9</sup>. If we would also consider the between effects, the effectiveness of the secondary market would appear more substantial and the superiority of paid work would be called into question. However, the between effects cannot be causally interpreted. In order to estimate the long-term impacts, as well as the lags and leads effects of activation, a longer time period is thus needed.

Finally, the results cannot be generalised to other target groups (e.g. the Unemployment Insurance beneficiaries) or other forms of subsidised work, whose inclusion potential is probably greater (e.g. social enterprises).

## 9.2 *Main contributions to the state of the art*

Due to the limited statistical power, the conclusions are often indicative. The value of the study is therefore mainly explorative. Nevertheless, given the scarcity of evidence regarding the impact of activation policies on the QoL in the Swiss context, we hope that this tentative evidence will be an useful point of departure.

As regards *psychological and material well-being*, the estimates for the secondary market suggest a small sized positive effect. Although the paid work is not always of high quality, the effects it generates are greater than those of the programme. The limited effect of the programme on mental health is mainly due to the negative impact on the vitality scale – i.e. the sensation of being full of energy. This is probably because social assistance recipients have often been inactive for lengthy periods, and may therefore meet some initial difficulties in re-acustoming themselves to the rhythms and requirements of work, even in a relatively sheltered environment. On the whole, the secondary market can therefore partially, but not totally, substitute the material and immaterial functions of conventional work. The difference between the within and between effects suggests the presence of unobserved, time-constant, individual factors, which simultaneously affect participation and QoL (the difference for MCS is particu-

larly pronounced and statistically significant). We presume that these are relatively stable traits, related to personality and underlying well-being, that were not captured by the time-constant predictors.

With regard to *QoL related to physical health*, the secondary market and paid work both generate effects that are negative, albeit not statistically nor practically significant. For the secondary market, the unfavourable impact is due mainly to the negative influence exerted on the role-physical functioning and the bodily pain scales. Unlike physical functioning and general health, the questions related to the abovementioned scales refer to the limitations created by physical health and pain in terms of carrying out work or performing other daily activities. We therefore hypothesise that participation in AUP intensifies, at least in the short run, pre-existing role limitations and symptoms caused by physical problems, which in a situation of inactivity make a less tangible impact on perceived QoL. This suggests that work requirements should always be carefully adapted to the possible health limitations of the participants.

As regards *social well-being*, the effect of the secondary market on the emotional support index is negative, while the impact of paid work is only slightly positive. However, both forms of work have a negative impact on the emotional support item. We advance that the latter negative effect is due to a partial “contamination” between *perceived* and *received* social support. In other words, the unemployment situation could be associated with greater received support, rather than a greater availability of support. In fact, the question includes a clear temporal aspect that might erroneously have induced some of the respondents to indicate the frequency with which they *effectively* talk to other people about their problems. The unfavourable result could also be related to a negative influence of low-level support experienced by the respondents in their workplace.

To conclude, let us turn to the findings regarding the *effects heterogeneity* of the secondary market. We will try to suggest a few interpretive hypotheses concerning the *psychological effectiveness*, which is considerably moderated by gender, age, level of education and existence of dependent children. Firstly, participation generates positive effects for men and negative effects for women. Work is probably of crucial importance to male identity construction, while women may more easily find other valued social roles. Another explanation could be related to the fact that work activities tailored to women are insufficient, a limitation pointed at by the cantonal Social Assistance Office. Secondly, the psychological benefits increase with age. This result confirms the perception of the AUP orga-

nisers, who believe that the immaterial benefits of work are more noticeable for older participants who usually possess a strong work culture and for whom the experience of being a passive welfare recipient is particularly negative. We also hypothesise that people close to retirement age may find it easier to “settle with” employment on the secondary market, since they are resigned to the impossibility of finding a regular job again. Thirdly, the psychological impacts are positive for people with completed vocational training, but negative for those without training. It may be that people with completed training are put into working contexts that are closer to the regular labour market, and that this has a positive impact on their psychological well-being. Finally, while the secondary labour market generates positive psychological effects for participants without dependent children, the opposite is true for those with children. One reason for this may lie in the difficulties related to balancing professional and family demands, since most of those with dependent children are single parents.

### 9.3 *Policy recommendations*

The overall mitigated conclusions on the effectiveness of the secondary labour market lead to the formulation of three main recommendations to be addressed to policy-makers and to social workers in charge of the implementation of active social policies:

- › In principle, the programme duration should remain short, unless unemployment seems to be the one reasonable alternative. Applicants should be given the opportunity to re-experience the world of work again, without this becoming a permanent kind of fictitious employment. Programme participation should function as a starting point for a longer-term integration project, aimed at improving the participant’s capabilities and employment prospects.
- › It is necessary to improve the employment outcomes of the programmes in a way that is beneficial for the most employable participants. The literature emphasises the importance of the formative value of activation and the provision of activities close to the regular labour market, as well as coaching and job-seeking support measures for people with limited resources. In order to enhance the participant’s human capital, it would be useful to validate the skills acquired during the programmes and to encourage the vocational training projects. Furthermore, it is advisable to provide a system of financial incentives that is coherent with the

job placement goal, while at the same time avoiding the impoverishment of the participants who are not able to return to the ordinary labour market.

- › For workers who maintain at least partial performance levels, but who have little probability of reintegrate the conventional market, it is crucial to create real jobs in the public sector and in the subsidised labour market, in particular within the Social Economy. Unlike secondary labour market, these jobs should involve regular work contracts with decent salaries and the relative welfare protections, ensuring a higher level of recognition and greater financial autonomy and security.

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### Annotations

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- 2 Beyond the integration objectives, the development of the secondary labour market also includes, at least implicitly, the hope of meeting a number of collective needs not adequately covered either by the State or the market, particularly in the social/healthcare and environmental protection sectors.
- 3 The guidelines of the Swiss Conference of Social Action Institutions note that, for a considerable part of the beneficiaries, purely professional measures are, for health or personal reasons, impossible or at least inadequate. For the most fragile unemployed it is therefore necessary to provide social integration measures that allow them to structure their daily lives and strengthen their self-esteem (COSAS 2005).
- 4 The first results of the qualitative analyses were published in Avilés et al. (2014).
- 5 The “quality of life” concept emerged as part of the social indicators movement, developed between the late sixties and early seventies, when social scientists of highly industrialized Western societies raised doubts about whether economic growth, with the resulting social costs, should be the most important goal of societal progress (Land et al. 2012). As early as in the sixties and seventies, medical-healthcare literature already began to show interest, at first mainly theoretical and then also empirical, in quality of life as a healthcare intervention guideline focusing on the aspect of patient subjectivity (Niero 2002).
- 6 Since January 1<sup>st</sup> 2016, the financial incentive has been raised to 300 francs.
- 7 We have excluded the assistance spell duration, even though this variable is significantly associated with the probability of participating in the study. In fact, this would have resulted in the omission of a rather significant number of observations relating to individuals who left the social assistance regime during the survey period and engaged in paid employment.
- 8 From a total of 34 observations related to paid employment, only 9 refer to full-time wage-earning work. Part-time work is quite common, and we also find a good number of people with temporary contracts (on-call or casual work),

as well as people who are self-employed. The monthly income from work is on average rather limited and it is often insufficient to end recourse to the social security system.

9 The time horizon of the study may be insufficient to record the physical health benefits, which probably take longer to materialise (Galic/Sverko 2008; Coutts 2009).