What Works?
Lessons from Active Labor Market Policy Evaluations

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VATT DAY 2021 Labour market and employment

Current Labor Market Challenges

- Long term unemployment
- Youth unemployment
- Earnings losses after job displacement
- Persistently high unemployment after recessions
- Recovery from COVID-19 pandemic

ALMP's have been proposed and used in many countries to address these problems

Key Questions

- Which types of programs work better?
  - Job search assistance, counseling
  - Training
  - Subsidized employment
- Are the short run effects different from the long run?
- What are the gains from matching program types with participants?
- Do effects vary over the business cycle?

Meta analysis provides a way to summarize the literature and gain systematic insights

ALMP Reviews

- Narrative reviews: Martin (2000), Martin and Grubb (2001), Lalonde (2003), OECD Employment Outlook (2015, chapter 3)
- Quantitative reviews: Heckman, Lalonde, Smith (1999), Greenberg et al. (2003), Bloom et al. (2003), Kluve and Schmidt (2002), Kluve (2010), **Card Kluve Weber (2010, 2018)**

Meta analysis

- Search of the literature
- Protocol for the collection of studies
- Decide on variables to extract from collected studies: meta-data
- Selection of a meta-analysis model: meta-regression
- Analyse data, interpret findings
- Is there evidence of publication bias?

2 rounds of data collection

- 2007
  - survey IZA and NBER fellows for papers and referrals
  - sample of 97 studies
- 2014
  - web-based search for studies written since 2007
  - Profiles of IZA research fellows interested in *program evaluation*
  - NBER working papers
  - Google scholar search of papers citing CKW(2010) or Kluve (2010)
  - Specialized online project lists
  - Backward/ forward citation search
  - Assemble sample of 207 studies providing 857 separate estimates

Variable Extraction

Studies coded by C, K, and W using standardized coding protocol

- Program type
- Program participant characteristics
- Program duration
- Type of outcome variable, econometric methodology
- Progam/participant subgroups: 526
- Post program time horizon:
  - short run: < 1 year after completion, 415 estimates
  - medium run: $1 - 2$ years after completion, 301 estimates
  - long run: > 2 years after completion, 141 estimates
- Impact estimates: 857
- Labor market conditions at time of program operation: GDP growth, unemployment rate

Figure 1: Number of Program Estimates, By Year of Program Start

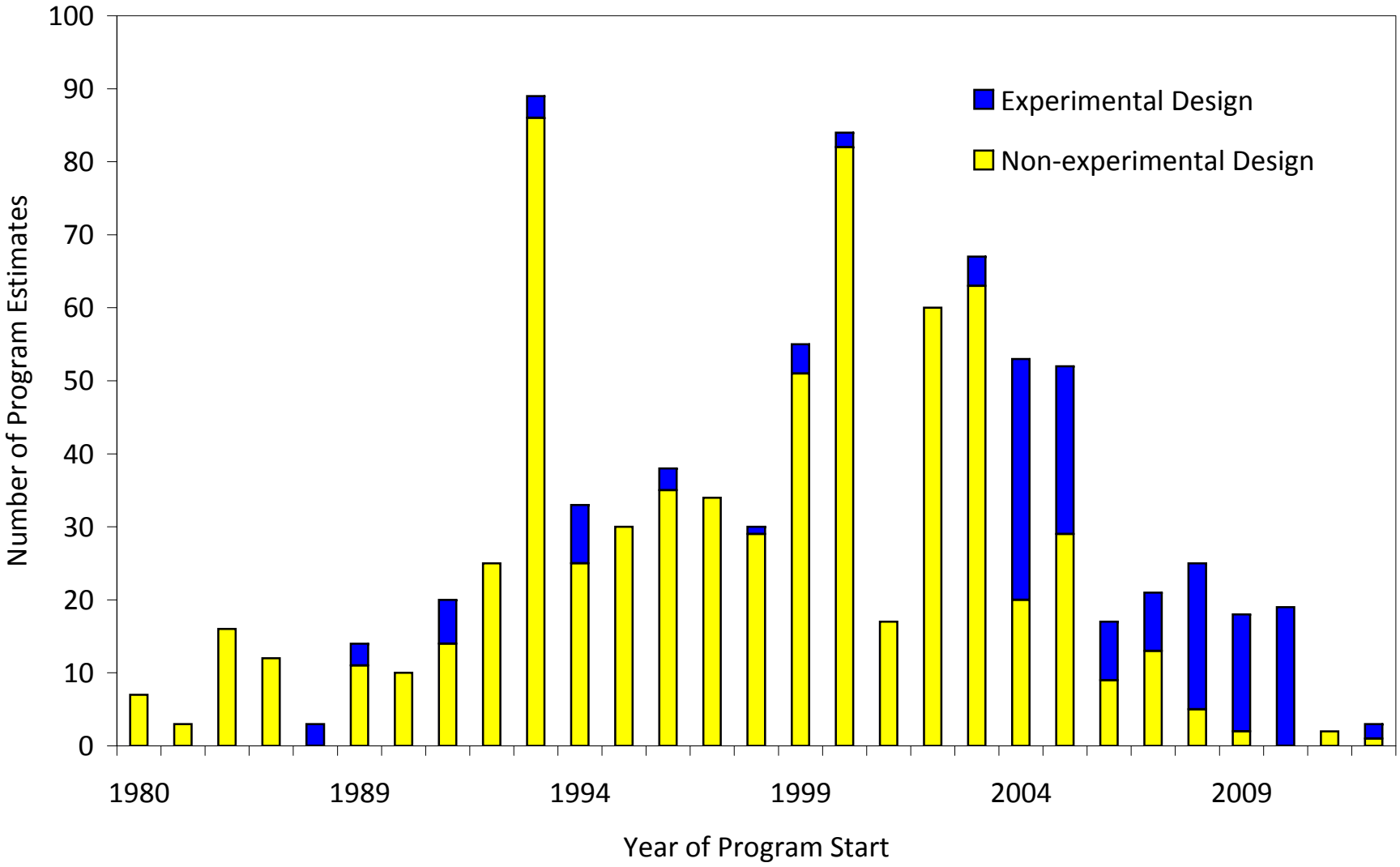
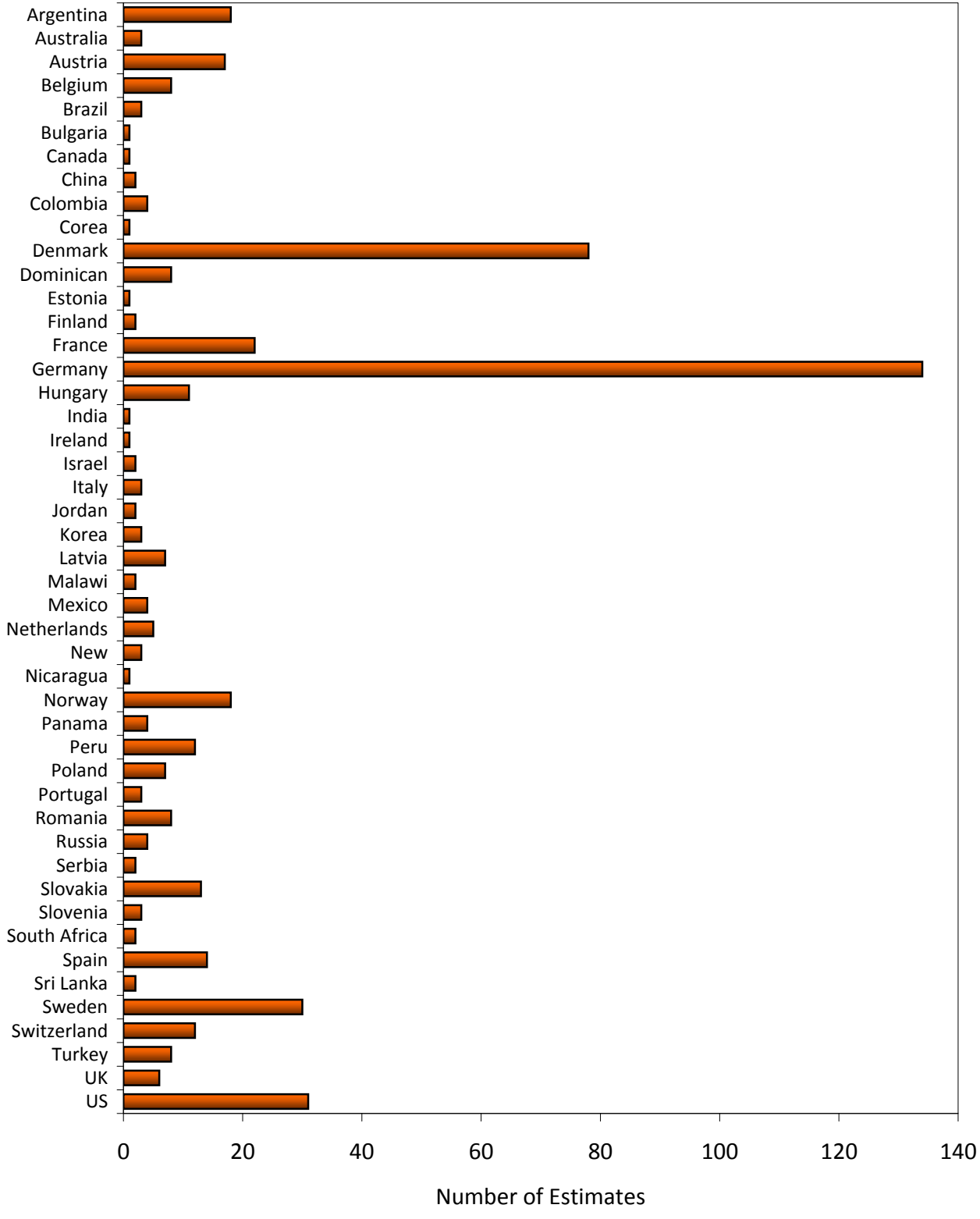


Figure 2: Number of Program Estimates, By Country



Two Measures of Program Impact

1. Sign and significance of program effect: for all estimates
   - significantly positive
   - insignificant
   - significantly negative

2. Program Effect
   - estimates evaluating effect on *probability of employment*
   - 57% of total sample

Sample Characteristics

	Full sample	Austria, Germany, Switzerland	Nordic Countries	U.S., U.K, Aust., N.Z., Canada
Number of estimates	857	290	212	87
Number of PPS's	526	163	127	45
Number of studies	207	52	48	24
Program Type (%)				
Training	49	62	17	45
Job Search Assistance	15	8	26	22
Private Subsidy	14	17	15	5
Public Employment	9	9	10	3
Other	14	5	32	25

Sample Characteristics – Program Participants

	Full sample	Austria, Germany, Switzerland	Nordic Countries	U.S., U.K, Aust., N.Z., Canada
Age (%):				
Mixed	59	54	61	72
Youth ($<$ 25 years)	21	12	20	15
Older ($\geq$ 25 years)	20	33	19	13
Gender (%):				
Mixed	54	53	67	43
Males only	22	24	18	25
Females only	23	23	16	32
Type of Participants (%):				
Registered unemployed	65	86	67	33
Long-term unemployed	12	8	10	25
Disadvantaged	23	6	23	41

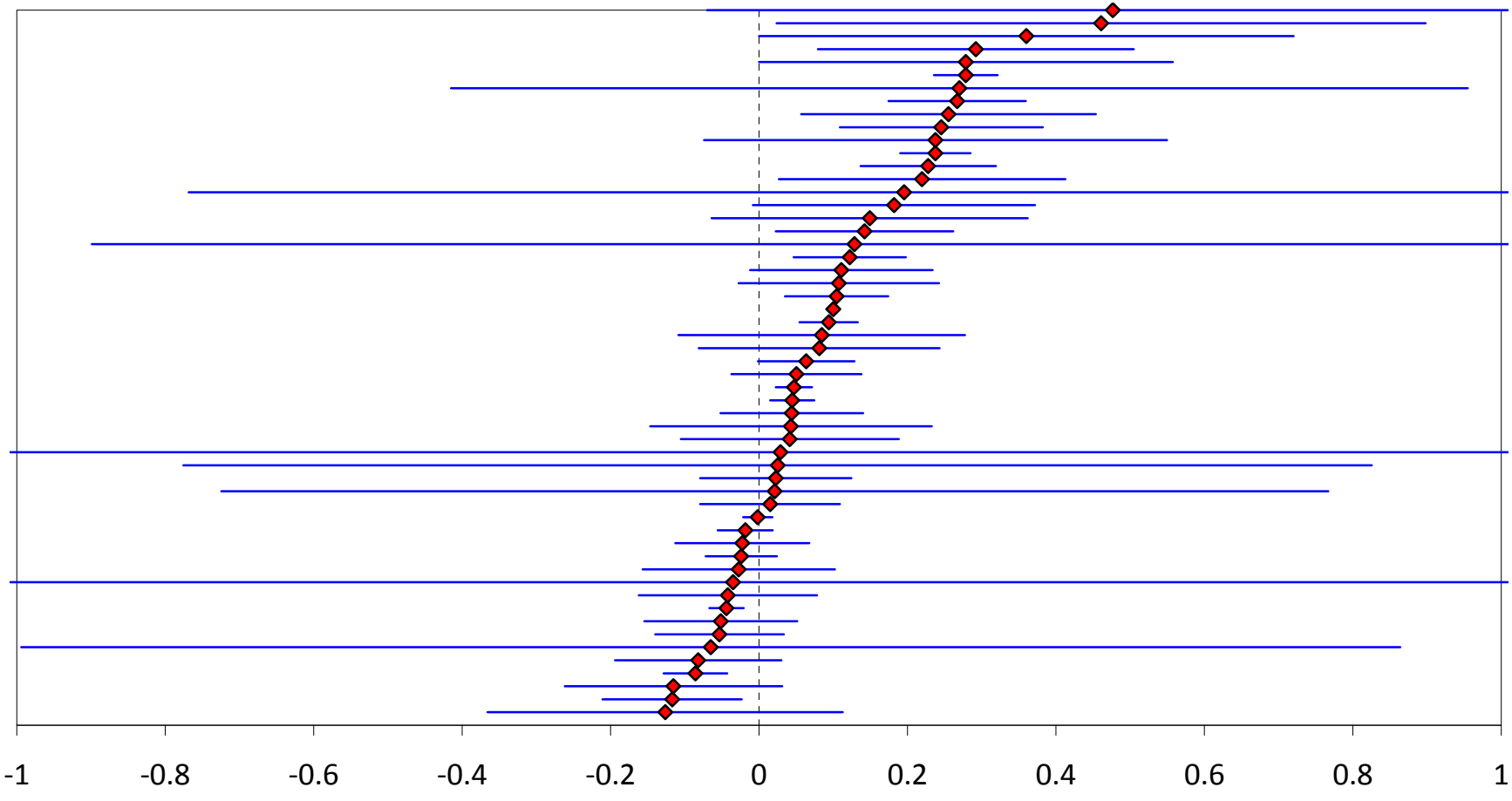
Sample Characteristics – Study Design

	Full sample	Austria, Germany, Switzerland	Nordic Countries	U.S., U.K, Aust., N.Z., Canada
Outcome of Interest (%):				
Employment status	57	83	31	26
Earnings	21	8	25	47
Hazard to new job	12	7	25	3
Other hazard	6	0	16	2
Unemployment status	4	2	4	21
Effect Measured at (%):				
Short Term	48	42	54	37
Medium Term	35	34	31	40
Long Term	16	23	16	23

Program Impacts

	Full Sample	Sample with Program Effect	
	Percent	Percent	Mean (SD)
Short Term Estimates			
			1.6 (0.8)
Significant positive	40	33	8.8 (1.3)
Insignificant	42	44	0.5 (0.4)
Significant negative	18	23	-6.4 (0.8)
Medium Term Estimates			
			5.4 (1.2)
Significant positive	52	47	11.3 (1.9)
Insignificant	40	43	1.3 (0.3)
Significant negative	8	10	-5.0 (1.2)
Long Term Estimates			
			8.7 (2.2)
Significant positive	61	65	13.0 (2.7)
Insignificant	35	32	1.3 (0.6)
Significant negative	4	3	-4.2 (0.5)

Figure 2a: Short Term Effect Sizes and Confidence Intervals



Note: 3 large positive estimated effect sizes not shown.

Figure 2b: Medium Term Effect Sizes and Confidence Intervals

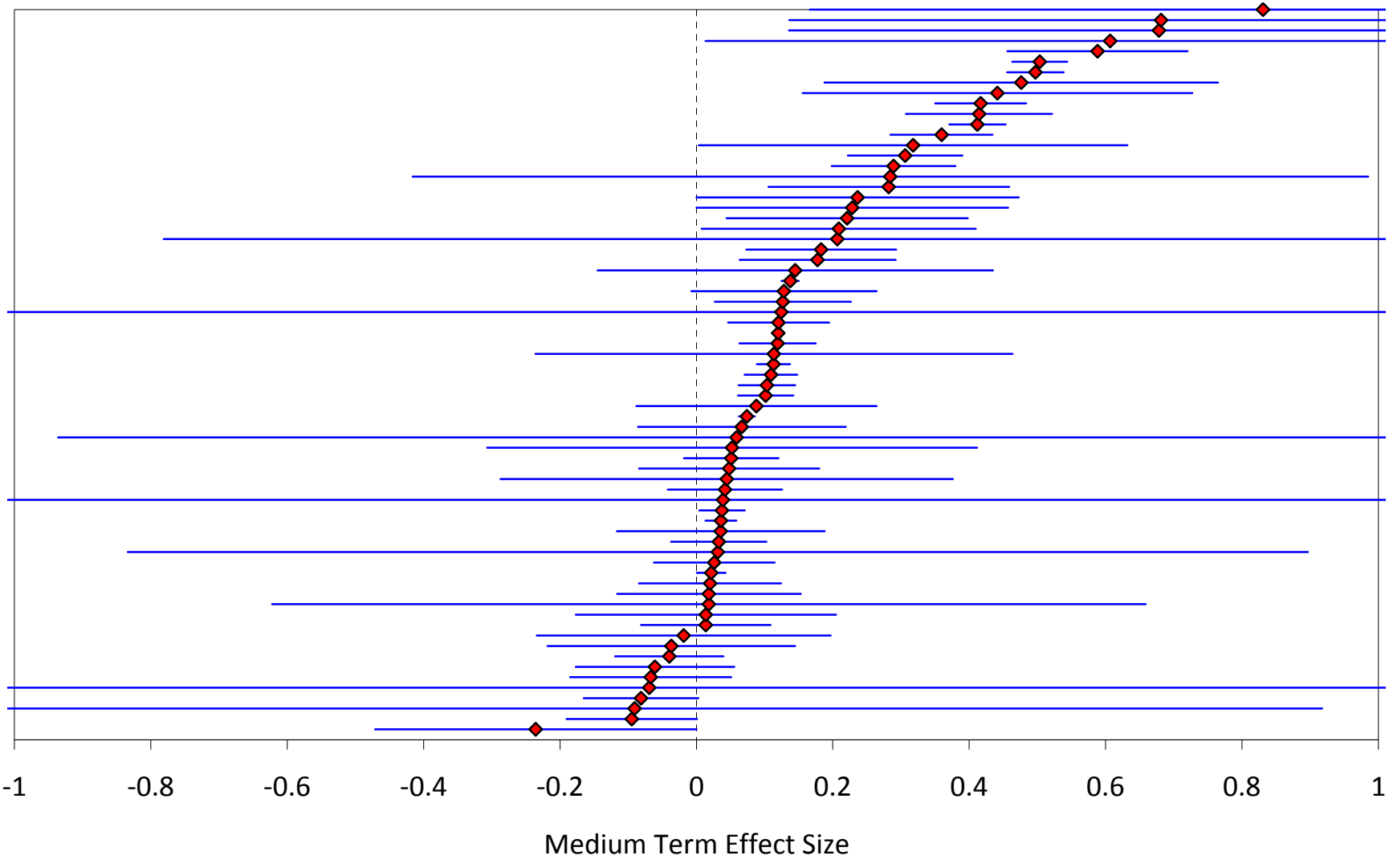
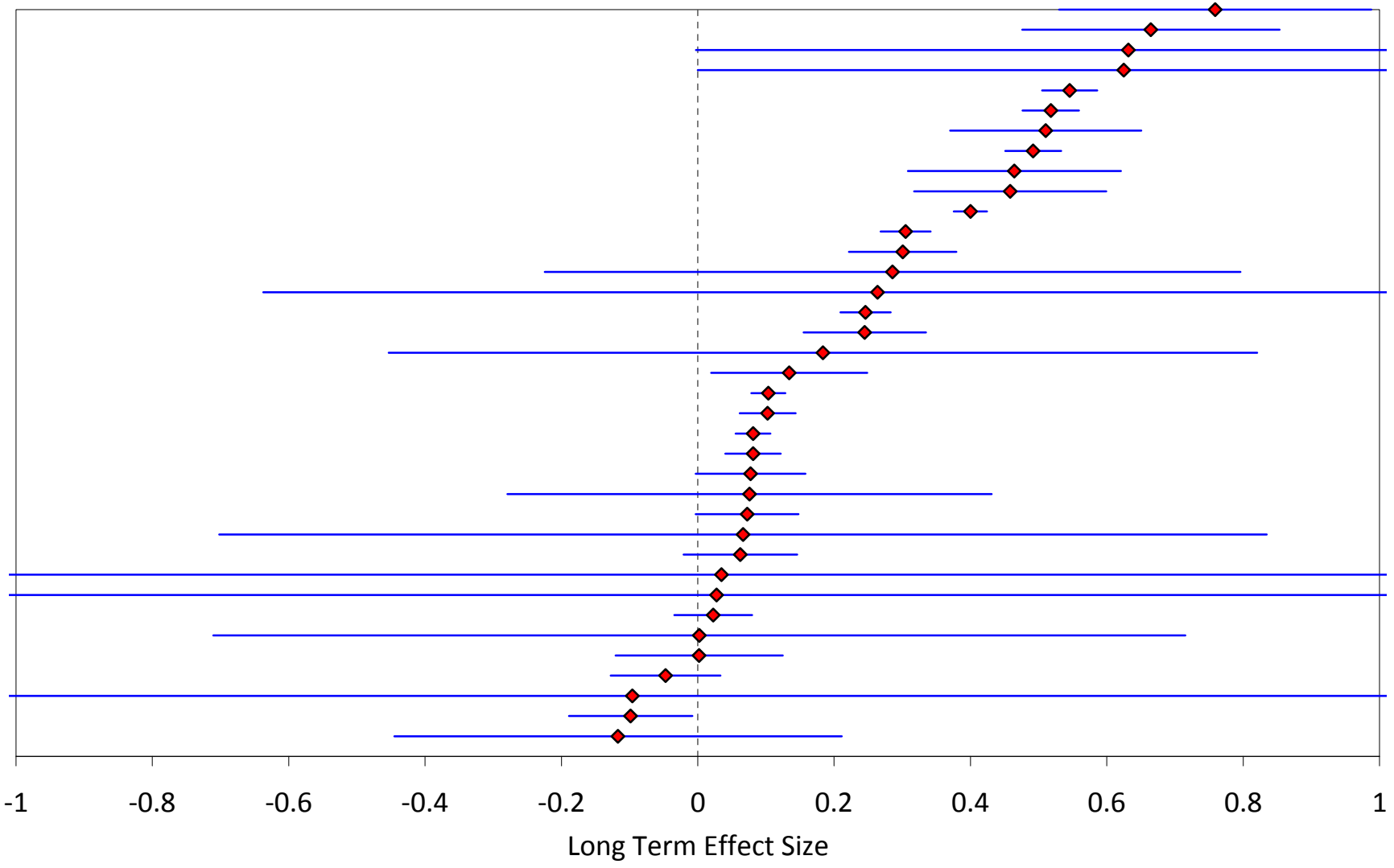


Figure 2c: Long Term Effect Sizes and Confidence Intervals



Meta Analytic Model of Program Impacts

b estimate of program effect β estimated with precision P

Program effect

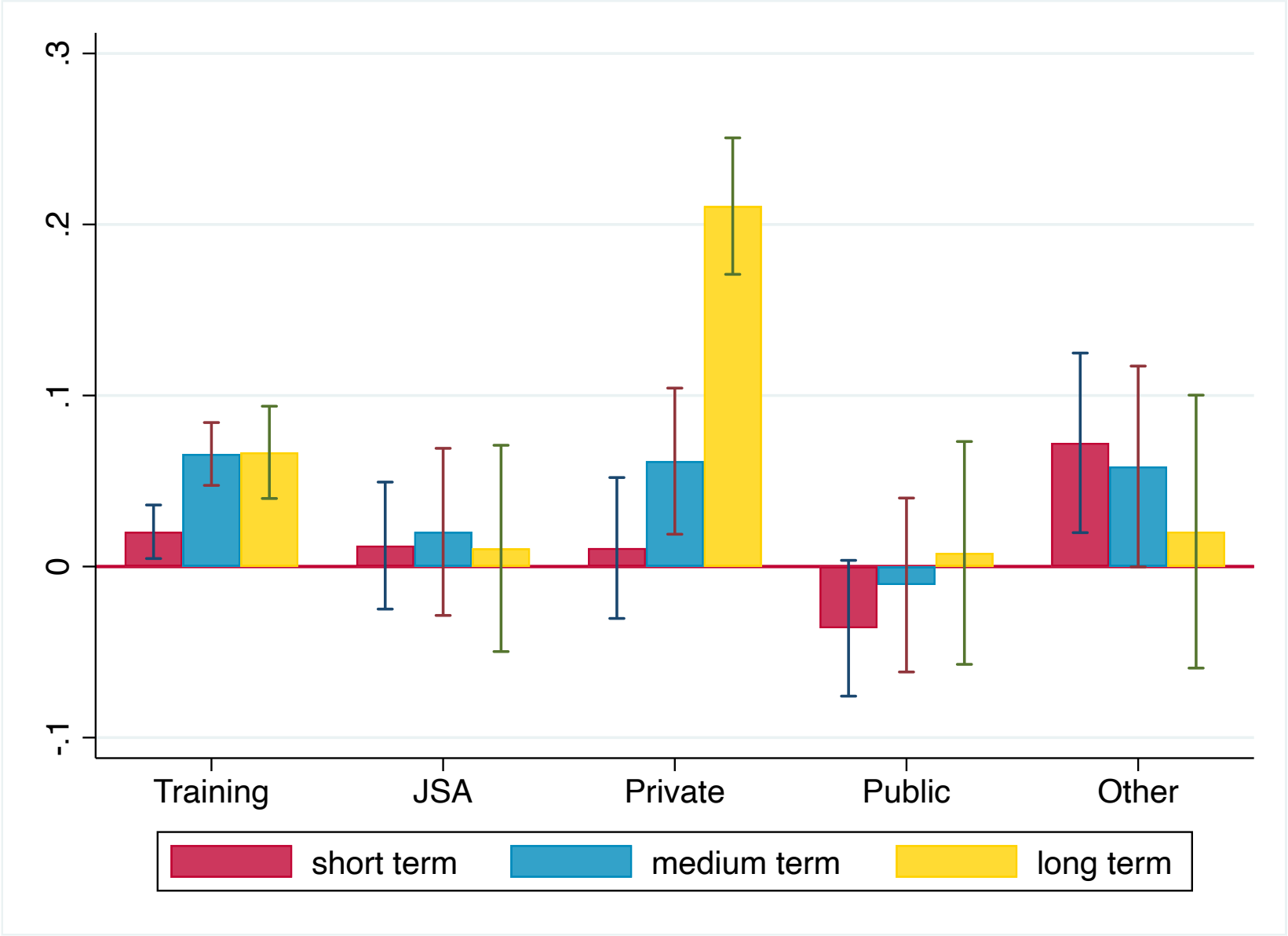
$$b = \beta + P^{-1/2} z$$

Estimated model

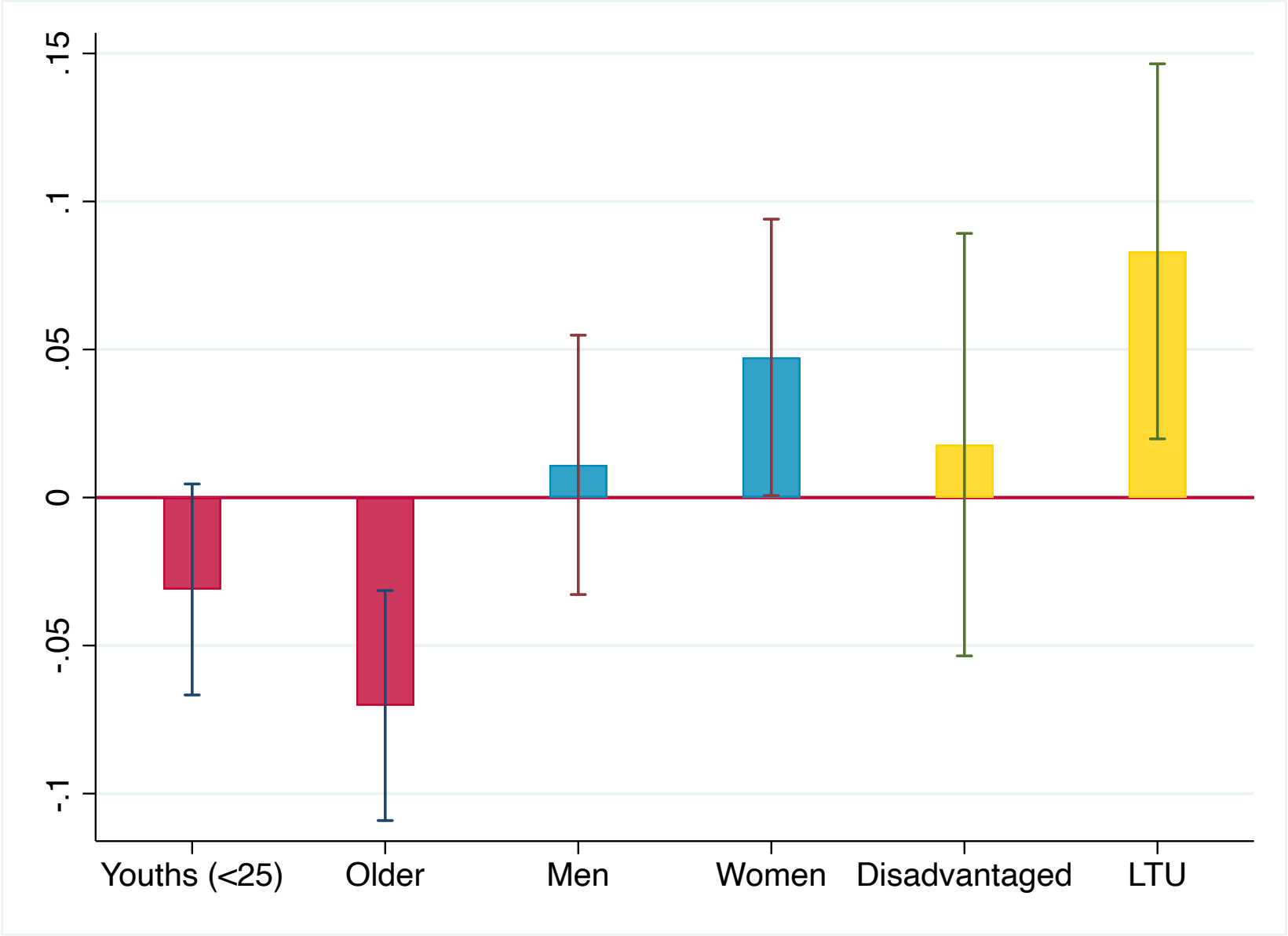
$$\begin{aligned} \beta &= X\alpha + \varepsilon \\ b &= X\alpha + u \end{aligned}$$

Standard errors clustered at study level

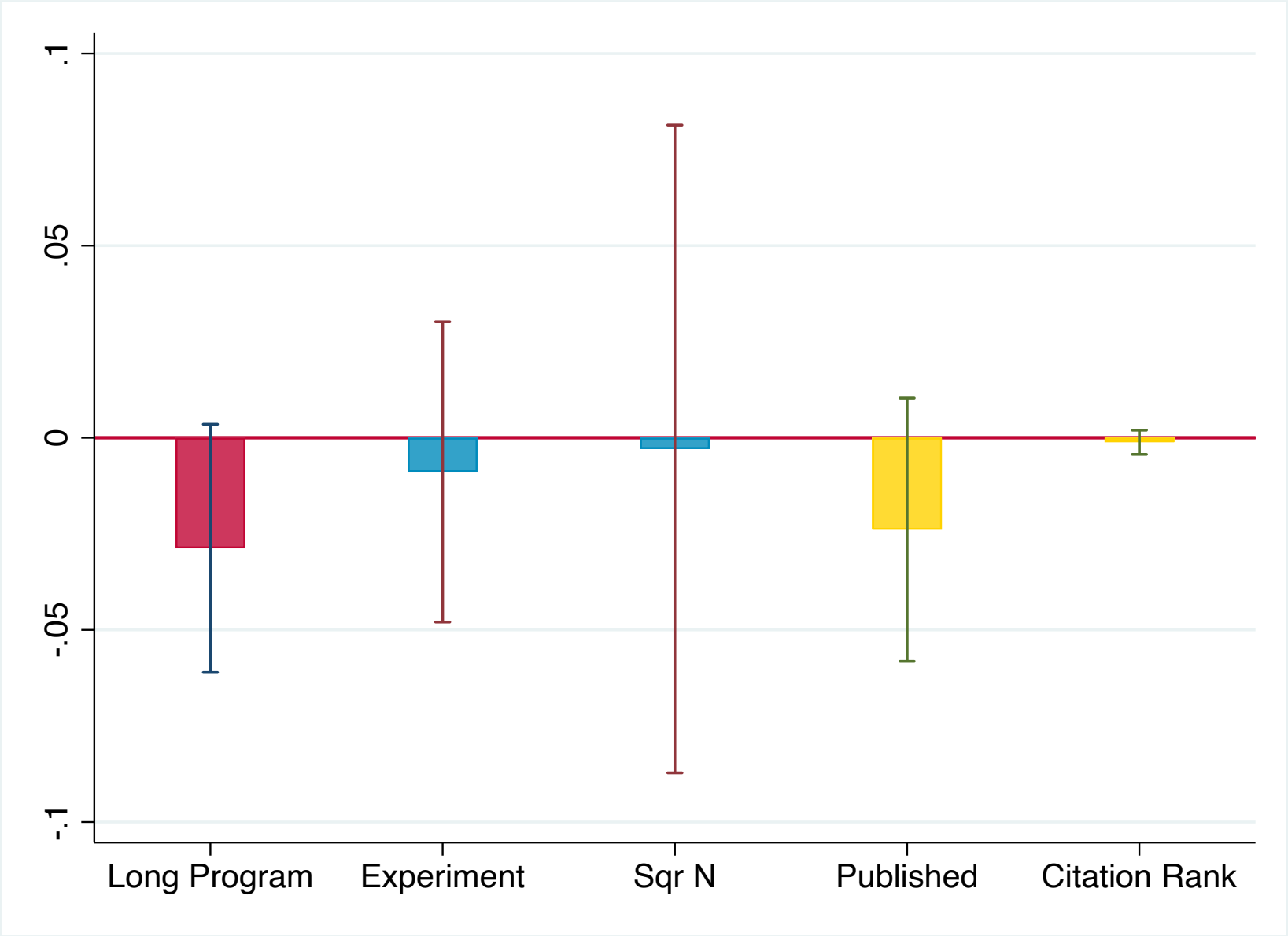
Program Types



Program Participants



Study Characteristics



Program Effect Models – Contextual Variables

	All Countries	Den, Fr, Ger, US	
Medium Term	0.028	0.034	0.040
	(0.009)	(0.008)	(0.009)
Long Term	0.040	0.031	0.048
	(0.015)	(0.014)	(0.020)
GDP Growth Rate (%)	-0.010	-0.032	
	(0.006)	(0.008)	
Unemp. Rate			0.034
			(0.011)
Country Dummies	Yes	Yes	Yes

Conclusions

- Time profile of impacts for "work first" programs different from "human capital" programs
- Females and long term unemployed benefit more from participating, youths and older workers benefit less
- Potential gains from matching participants and program types
- ALMPs have larger impacts in periods of slow growth and high unemployment
- No evidence of publication bias

Newer Studies

Programs have become more specialized and better targeted

- Participant groups: youths, disadvantaged workers, refuge immigrants
- Program types focus on specific incentives and involvement of employers
- Emphasis on special skills: soft skills

References

Card, D., J. Kluve and A. Weber (2018), "What works? A meta analysis of recent active labor market programs", Journal of the European Economic Association

Card D., J. Kluve, and A. Weber (2010), "Active Labor Market Policy Evaluations: A Meta-Analysis", The Economic Journal

Bentolila, S and M Jansen (2016), "Long-Term Unemployment After the Great Recession: Causes and Remedies", CEPR Press.