

# ACTIVE LABOUR MARKET POLICIES WITH A FOCUS ON YOUTH



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# **ACTIVE LABOUR MARKET POLICIES WITH A FOCUS ON YOUTH**

A working paper prepared for the European Training Foundation by Professor Jochen Kluge

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## Abstract

This document is the main outcome of a project that the author conducted for the European Training Foundation (ETF) between September 2013 and February 2014. The task was to analyse the role of active labour market policies (ALMPs) in ETF partner countries. The main focus of the analysis was on determining which programmes work and under what conditions. The specific focus was on young people. The study comprises two main parts. The first part discusses the different types of active programmes and how we think they work. It examines the available knowledge regarding their effectiveness. Most of this evidence comes from OECD (Organisation for Economic Co-operation and Development) countries. The second part draws together data on the usage of ALMPs in ETF partner countries and existing evaluations. A key finding of the study is that these countries generally use active programmes on a limited scale and that very little evidence has emerged from impact evaluations. At the same time, many countries have started to engage or plan to engage in more systematic use of ALMPs and to assess their effects. This is a process that can be informed and steered by international experience under ETF guidance.

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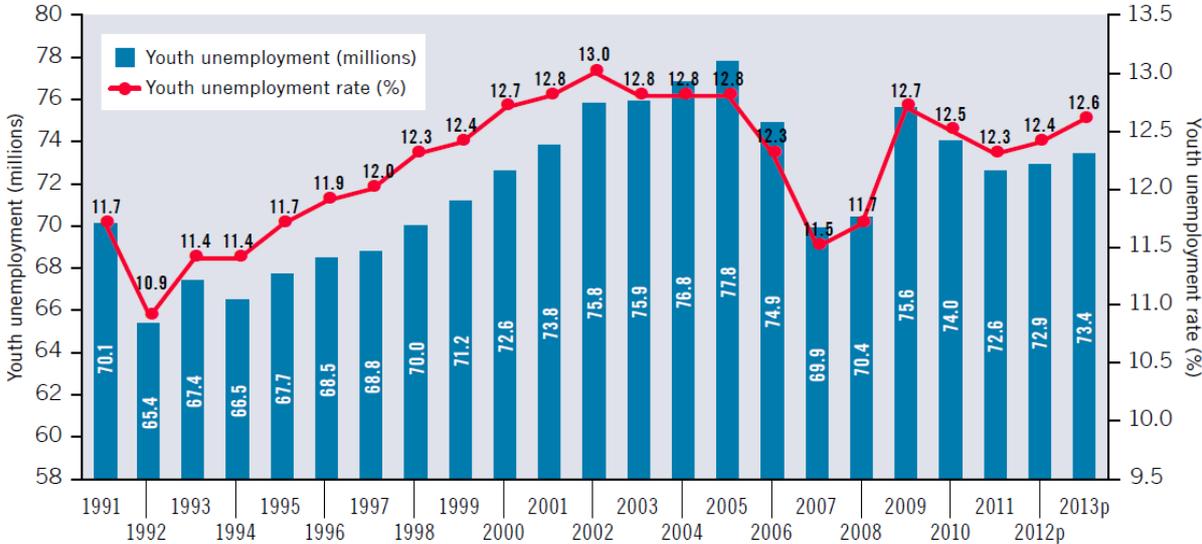
# SECTION 1

## Introduction and background

This section presents key stylised facts on the situation of young people in labour markets worldwide. A specific focus is placed on youth unemployment, its relation to adult unemployment statistics and the disproportionate way it is affected by changes in the business cycle. These descriptive findings set the scene for the subsequent analysis of the potential of active labour market policies to combat youth unemployment.

Young workers need particular attention from policy makers. As the analysis of global youth employment trends provided by the International Labour Office (ILO, 2013) illustrates, worldwide youth unemployment has remained at high levels since the sudden increase induced by the global financial crisis in 2008. A slight overall improvement in 2010 and 2011 has not turned into a continuing downward trend, as the predictions for 2012 and 2013 show. This development is depicted in Figure 1.

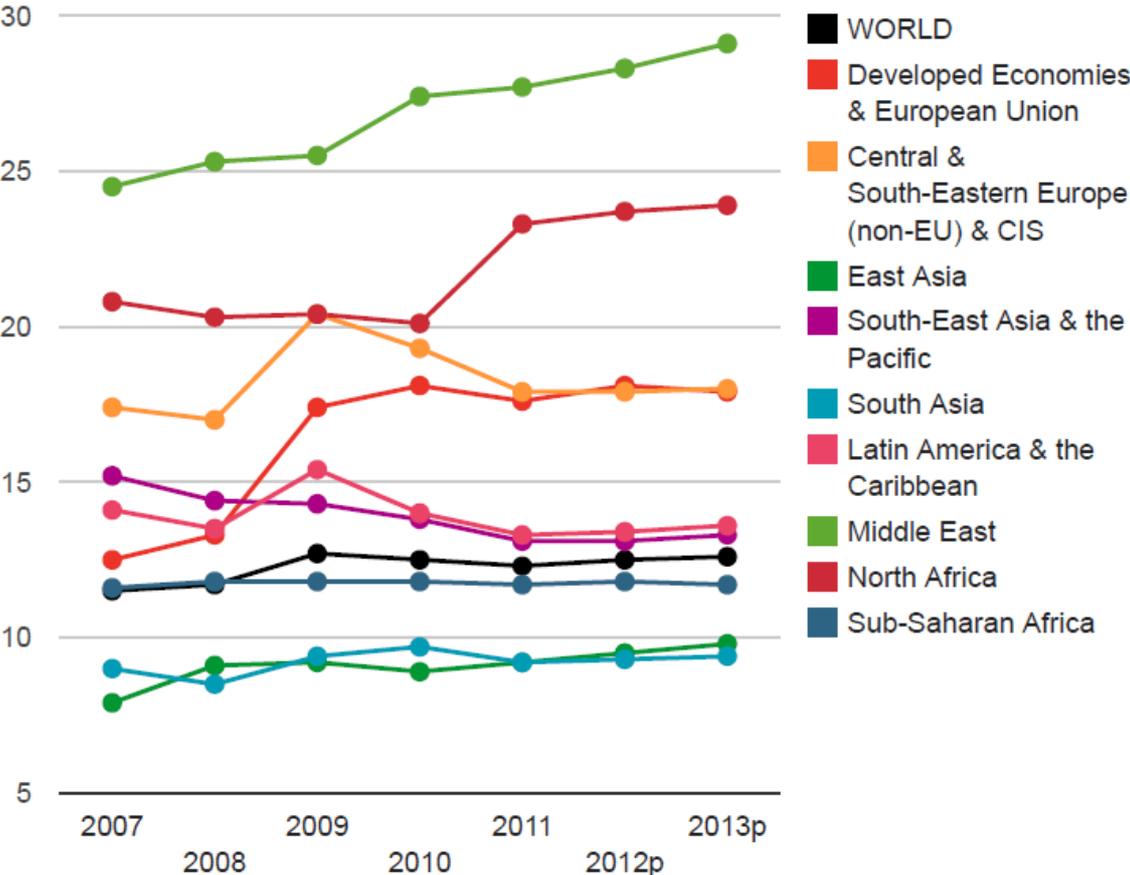
Figure 1. Global youth unemployment and unemployment rate, 1991-2013



Source: ILO, 2013.

However, the level and trend of developments in youth unemployment are not homogenous across regions. As Figure 2 illustrates, using regional averages, youth unemployment rates are particularly high in the Middle East (bright green) and in Northern Africa (dark red). The latter region was hit severely by the crisis and youth unemployment figures have not recovered since. The same pattern holds for the developed economies and the European Union (EU), placed in the midfield of this regional comparison (bright red). The countries of Central and South Eastern Europe (non-EU) and the Commonwealth of Independent States (CIS) seem to have returned to their pre-crisis trend. Despite this positive development, it must be remembered that the pre-crisis level of youth unemployment was already relatively high.

Figure 2. Youth unemployment rate by region, 2007-2013



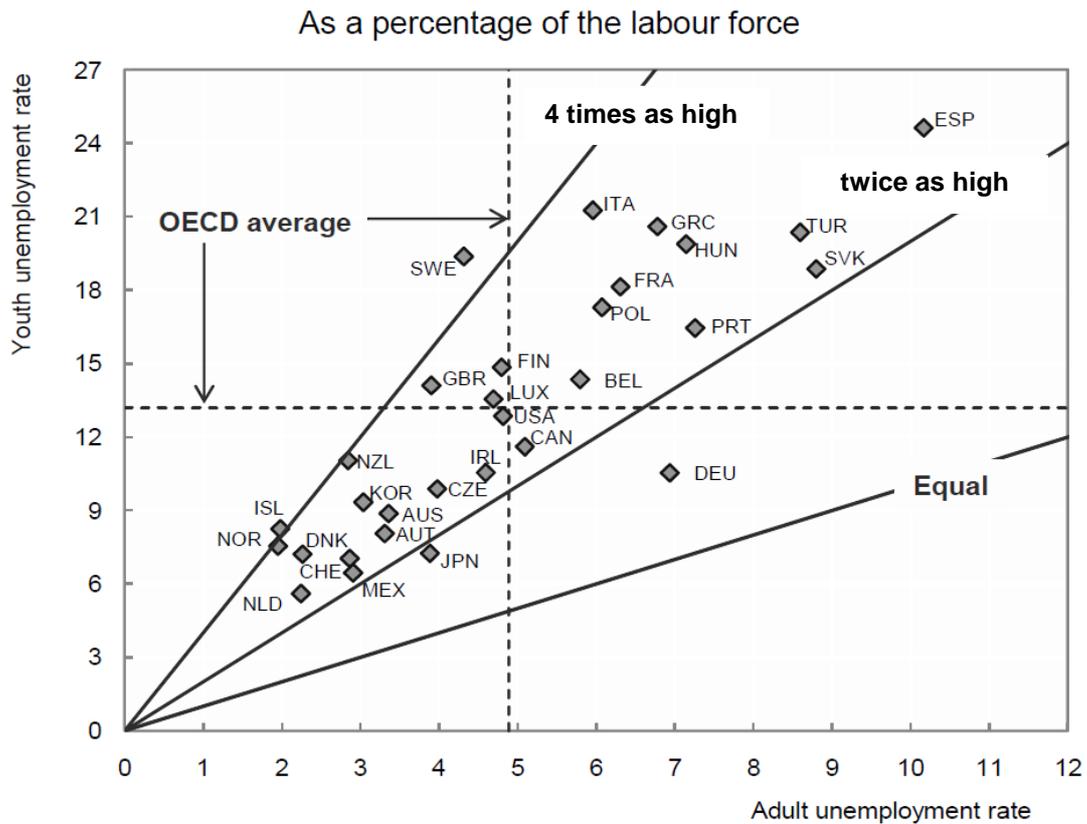
Source: ILO website; accessed 21 January 2014. Note: p - projected

On the labour market, young people<sup>4</sup> constitute a population at risk for several reasons. First, a persistent pattern has emerged in a multitude of developed and developing countries in recent decades. It can be seen that average youth unemployment is approximately twice as high as overall adult unemployment (e.g. ILO, 2013). Using data from 2008, the year preceding the financial and economic crisis, Figure 3 depicts an analysis provided by the OECD correlating youth and adult unemployment in OECD countries (Scarpetta et al, 2010).

The average youth/adult unemployment ratio across countries was 2.8. While there are pronounced differences across countries, it is notable that the youth unemployment rate almost everywhere is at least twice as high as the adult unemployment rate. Germany and Japan are the only exceptions to this rule. The low ratio of 1.5 for Germany is ascribed to an apprenticeship system that is perceived as rather successful in ensuring relatively smooth transitions from school to work for most young people (Scarpetta et al, 2010).

<sup>1</sup> Typically defined as 16 to 24 years of age.

Figure 3. Relationship between youth and adult unemployment rates in OECD countries, 2008



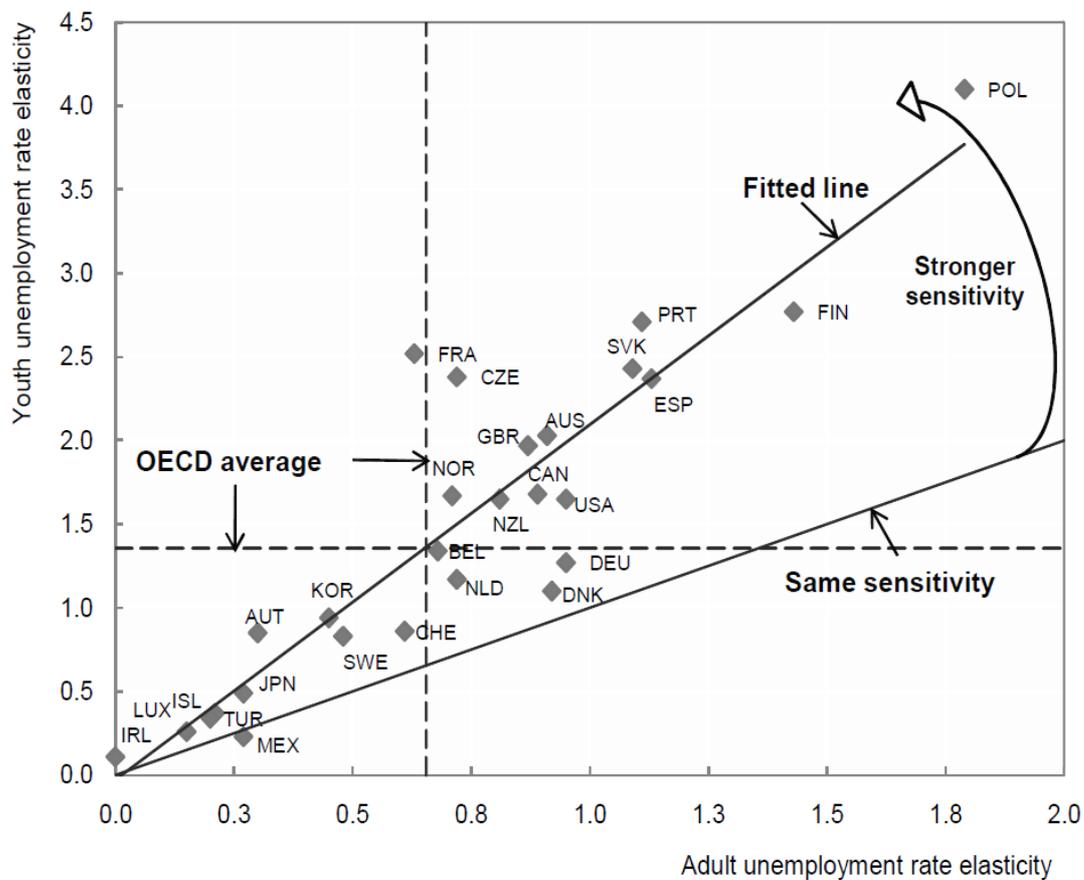
Source: Scarpetta et al, 2010.

Second, youth unemployment shows excess cyclical volatility: during a recession, the adverse effect on young workers' unemployment probability exceeds that of adult workers. Figure 4 illustrates this pattern in a simplified way. It displays the respective elasticities of the youth and adult unemployment rates in response to changes in gross domestic product (GDP) during the period between 1996 and 2007 (Scarpetta et al, 2010). Across OECD countries, a 1 percentage point deviation from the GDP growth rate in this period led to a 0.65 percentage point change in the adult unemployment rate on average, but to a 1.4 percentage point change in the youth unemployment rate.

Third, this problem is exacerbated by 'scarring effects'. As prolonged unemployment spells leave 'scars', i.e. impact negatively on long-term labour market outcomes (earnings, employment), they affect young workers disproportionately due to their early occurrence in the lifecycle (e.g. Gregg and Tominey, 2005).

Fourth, access to formal employment and quality jobs is a key policy issue, especially in low-to-middle income countries. Finally, all these issues may be more pronounced in countries experiencing demographic pressure due to a large share of the young population.

Figure 4. Responsiveness of youth and adult unemployment to the business cycle in OECD countries, 1996-2007



Source: Scarpetta et al, 2010. The respective elasticities depict the percentage point change in response to a 1 percentage point deviation from the growth rate of potential GDP.

Part of the youth/adult unemployment gap can be explained by the relative lack of work experience and job search skills among young workers. However, research in recent decades suggests that structural problems also affect youth labour market performance. In principle, such problems can be tackled using several levers. One lever is provided by educational policies that help young people to make a better transition from school to work and improve the skills match between young workers and employers. Ultimately, this amounts to policies that cover the full educational cycle. They start with early childhood interventions and continue through the entire period of compulsory schooling until the young people enter the vocational education and training system. A second lever concerns the removal of barriers to the employment of young workers. Two-tier labour markets that result from overly restrictive regulation of permanent employment contracts (e.g. employment protection legislation, permanent versus temporary contracts, minimum wages) are likely to create disincentives to hiring young workers or only generate short-term entry jobs that become dead-ends rather than a stepping stone to more stable jobs.

Finally, other policy options targeting unemployed workers are youth training and other active labour market policies (ALMPs) such as wage subsidies, public employment and job search assistance. These policies have been suggested as a remedy to structural and cyclical unemployment and have been in use in OECD countries for several decades. Increasingly, low-to-middle income countries are also implementing active policies for jobseekers. This study deals with this type of policy for young people, with a particular focus on ETF partner countries. The overarching question of the study can therefore be posed as follows: Which ALMPs work under which conditions to tackle the challenge of youth employment in ETF partner countries?

The paper is organised in the following way. Section 2 gives a general definition of ALMPs and their objectives. It presents a basic framework of four types of active policies and their modes of functioning. Section 3 discusses the existing knowledge on ALMP effectiveness, focusing mostly on the OECD, since most empirical findings originate in these countries. Section 4 collects information on ALMP usage and effectiveness in ETF partner countries. Currently, due to limited data availability on programme use and evaluations (and also due to generally limited usage of these policies), this systematic assessment remains somewhat preliminary. Section 5 concludes this paper.

## SECTION 2

### Types of active labour market policies

This section defines active labour market policies and their objectives. It examines how they are embedded in recent 'activation strategies'. Four main programme types are discussed in detail: job search assistance, training, private sector incentives and public employment. The section develops a basic theoretical framework that illustrates the mechanisms and potential effects of active labour market policies.

#### 2.1 General definition and objectives

Active labour market policies (ALMPs) are labour market policy interventions that the welfare state uses to 'actively' increase the employment probability of jobseekers and decrease aggregate unemployment. The main objective of ALMPs therefore is to increase the individual employment chances of programme participants. Other objectives may focus on individual productivity and earnings. In the United States (US), programmes often focus on earnings as a key outcome, since ALMPs target the most disadvantaged individuals and aim to alleviate poverty. In Europe, employment outcomes have received the most attention, next to finding employment. Job quality and job duration can also play a role. In recent years, the 'employability' outcome has received increasing attention as one objective of ALMPs. 'Employability' roughly describes the individual's potential propensity to find/be placed in a job. One objective of an ALMP could therefore be to decrease individual jobseekers' distance to the labour market<sup>2</sup>.

Other possible objectives of ALMPs include: creating more jobs; improving the matching of supply and demand on the labour market; increasing welfare of ALMPs' participants (and possibly social welfare in the aggregate); and lowering government costs. Consumption smoothing through the provision of alternative employment options may also be an objective.

In general, however, employment probability plays the central role both as the key programme objective and as the outcome measure most frequently analysed in programme evaluations. For this reason, the discussion on ALMP effectiveness in this study considers mainly employment as the measure of programme success. It is typically assessed empirically as the average employment rate  $x$  months after the end of the programme. Within the first 12 months, it is known as the 'short-term effect'; the 'medium-term effect' is assessed within 12 to 24 months; and the 'long-term effect' is measured after 24 months or more (see Card et al, 2010).

ALMPs complement passive labour market policies, such as unemployment benefits, which replace earnings. In OECD countries, active and passive policies are increasingly interlinked. This is essentially

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<sup>2</sup> Measuring 'employability' empirically is challenging since no standard definition exists and it typically requires (survey) data on technical, cognitive and non-cognitive skills. From a conceptual perspective, however, it is useful to have a purely supply side-defined measure of the capacity to find employment (regardless of whether employment is actually found or not).

on foot of recommendations formulated by the OECD in its 'jobs strategy' (OECD, 1994) and its 'restated jobs strategy' (OECD, 2006).

This development is summarised under the heading 'activation' (OECD, 2007), a strategy aimed at activating jobseekers to look for jobs and take on work according to a 'mutual obligations' principle<sup>3</sup>. Key elements of activation are: (i) early intervention by the public employment service (PES) in the unemployment spell and high contact density between jobseekers and caseworkers; (ii) regular reporting and monitoring of work availability and job search actions; (iii) setting up of back-to-work agreements or individual action plans; (iv) direct referral of unemployed clients to vacant jobs; and (v) referral to ALMPs. In the case of non-compliance of jobseekers with job search requirements, benefit sanctions apply.

## 2.2 Four types of ALMP – a basic theoretical framework

Active labour market programmes are typically classified into four categories in the literature (OECD, 2006; Kluve et al, 2007). These are: (i) job search assistance; (ii) (labour market) training; (iii) private sector employment incentives; and (iv) public sector employment. These four programme types are defined and explained in the following subsections. It seems appropriate to apply this classification also in the context of this study. First, it is likely that, as in other countries, it will be possible to adequately classify the portfolio of programmes into these categories in ETF partner countries. Moreover, using the established classification potentially allows for comparisons to be made with other countries and regions.

This section defines the programme types. It also outlines a simple theoretical framework to think about how programmes could be expected to work from an ex ante perspective. Note that this basic framework concentrates on the main aspects and does not constitute a complete economic theoretical model. For each programme type it will formulate key features, objectives and expected impacts in order to provide an outline of the constitutive elements and mechanisms of active labour market programmes. It is important to emphasise that, whereas these programmes were originally designed in OECD countries and the majority of them are currently implemented there, the framework is generally applicable to any country, including ETF partner countries.

The objectives and impacts that the framework refers to regard primarily the direct effects, e.g. increasing participants' employment chances and earnings. Besides these direct effects, it is often important to take into account the effects on non-treated entities (individuals who do not participate in the programmes). The programme evaluation literature in economics distinguishes between several types of potential indirect effects – also called general equilibrium effects – of labour market programmes. Displacement effects (jobs created by one programme at the expense of other jobs) are the most important. This is also referred to as 'crowding out'. Other indirect effects are deadweight effects (the programme subsidises hiring that would also have occurred in the absence of the programme) and substitution effects (jobs created for a certain category of workers replace jobs for other categories because relative wage costs have changed). For ease of exposition, the following discussion of programme types summarises these distortionary effects as 'displacement'.

Other indirect effects exist, such as tax effects (the effects of the taxation needed to finance the programmes on the behaviour of everyone in society). Also, these effects need not necessarily be negative: systemic or market-wide changes (for instance, take-up of improved training practices by non-supported enterprises and training institutions) may increase the scale of intervention effects. The main conclusion of this discussion is that impact estimates from an individual-level analysis may provide only incomplete information about the full impact of the intervention. For further discussion, see, for example, Heckman et al, 1999.

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<sup>3</sup> Note that, while ALMPs historically precede activation, activation logically precedes ALMPs.

### **2.2.1 Job search assistance**

The aim of job search assistance programmes is to enhance the search effort of individual jobseekers, the general efficiency of the search process and the quality of the resulting job matches. Various types of job search assistance programmes exist and they can comprise several components: (i) job search training; (ii) counselling; (iii) monitoring; (iv) job clubs; (v) sanctions. Sanctions are applied if job search requirements are not complied with. This component is included in this category as it also aims at increasing the efficiency of the job search and job match process.

One implication of this programme type is that job search assistance will have only a short-term effect unless getting a job changes preferences or future employability. In a best-case scenario, job search assistance can therefore have positive but quantitatively small impacts. In the worst case, long-term effects may be zero or slightly negative, if insufficient impetus is generated by this programme.

There is some risk of displacement effects, especially in a low-demand market. Stigmatisation arising from placement by the public employment service is also theoretically possible. Government costs, however, are typically low for these programmes. Moreover, it must be emphasised that these programmes may play an important role in a rapidly changing environment to address information failures in the labour market. For example, they could address asymmetric or missing information about current and future skills required in the labour market or a lack of information about the location and existence of job opportunities. Such information failures typically arise in one of two contexts: firstly, during structural adjustments, e.g. transition periods, or, secondly, during recessions.

### **2.2.2 (Labour market) training**

The second category – training programmes – comprises all programmes aimed at increasing human capital. Training can be seen as the ‘classic’ active labour market policy and constitutes the programme type that is most frequently implemented worldwide. The purpose of raising human capital and attenuating skills mismatch is attained through a set of training components: (i) classroom vocational/technical training; (ii) work practice (on-the-job training); (iii) basic skills training (maths, language); (iv) life skills training (socio-affective, non-cognitive skills); (v) job insertion. The latter component may be combined with other training components. Alternatively, it can be provided as an intervention per se and as such form part of the first ALMP category above. In practice, training programmes may be composed of all components, of just one component, or of any combination of several components. A key issue for researchers currently working on ALMP effectiveness is to better understand the exact interplay between the training components and the resulting impact (see Section 3.4).

Training is a time-consuming element of this programme type. Negative treatment effects on participants’ employment probability are therefore to be expected in the short run (so-called ‘lock-in effects’). Due to the human capital accumulation, however, the long-run effect will be positive, and probably sizeable. Negative effects will occur if the training contents are obsolete or useless. The displacement effect is likely to be small in the case of training. Government costs for sponsoring training are medium to high.

### **2.2.3 Private sector incentive programmes**

The third type of active intervention – private sector incentive programmes – comprises all interventions aimed at creating incentives that alter employer and/or worker behaviour regarding private sector employment. The most prominent programme in this category (especially in OECD countries) is a wage subsidy. The objective of subsidies is to encourage employers to hire new workers or to maintain jobs that would otherwise be lost. These subsidies can either be direct wage subsidies to employers or financial incentives to workers for a limited period of time. They frequently target long-term unemployed people and more disadvantaged individuals.

The second main type of subsidised private sector employment is self-employment assistance. Unemployed individuals who start their own business receive grants or loans and sometimes also advisory support for a fixed period of time. Cross-cutting entrepreneurship programmes that combine

financial support and training have been increasingly used in emerging economies and developing countries. Such programmes often have a greater emphasis on the training component relative to the grant/loan component (see McKenzie and Woodruff, 2014; Fiala, 2013). Technical training for self-employment may include business skills (e.g. mentoring or bookkeeping), literacy and life skills.

The main purpose of private sector incentive programmes is to improve the job matching process and increase demand for labour. Moreover, participants typically accumulate a certain level of human capital through work practice. A culturisation effect also takes place, i.e. participants get accustomed to being in a job. With respect to ex ante implications, this type of programme will also only have a positive effect in the short run, unless the subsidised work changes preferences for work or future employability (the 'job ladder effect' whereby workers prove their productivity to the firm and remain in employment beyond the duration of the subsidy). The risk of displacement effects is particularly high for these programmes. This is because it is difficult to completely avoid scenarios in which, for instance, subsidised firms improve their market position relative to non-subsidised firms, or hiring of subsidised workers occur that would have occurred also in the absence of the subsidy. Government costs are also expected to be high.

However, there may be scope to use a variant of the wage subsidy as a type of short-term working arrangement in a restructuring process or a recession. Rather than laying off workers, a transitory incentive is created for firms to retain workers. This model allows firms to reduce working hours and partly subsidises the wage on actual hours worked and partly replaces the earnings that workers forego because of the reduction in hours. Such a programme allows firms to retain human capital (and potentially re-skill staff on-the-job) while going through a difficult phase. This intervention type would essentially be a hybrid of wage subsidy and income support, i.e. both an active and passive labour market policy.

#### **2.2.4 Public sector employment**

Finally, direct employment programmes in the public sector focus on the direct creation and provision of public works or other activities that produce public goods or services. These measures are typically targeted at the most disadvantaged individuals. The aim is to keep them in contact with the labour market and preclude loss of human capital during a period of unemployment. To some extent they may also increase demand for labour. They can also serve as a safety net (of last resort). Government costs are typically high.

Direct employment programmes will only have a short-run effect (on public employment) unless work changes preferences or future employability. There is also a high risk of displacement effects. Finally, the jobs created are often additionally generated jobs, which are not close to the actual labour market. In light of these implications, it is typically difficult to justify public job creation as a policy that increases individual employment probability and leads to a net creation of jobs. Rather, it often seems to serve as a social policy, keeping the most disadvantaged individuals close to the labour market and providing them with an income, and/or to keep aggregate unemployment figures low by providing public jobs instead of purely 'passively' replacing income.

#### **2.2.5 Target groups**

The majority of ALMPs are general-purpose programmes. In other words, they serve a relatively broad target population. However, they are often designed for specific groups in the labour market, such as disabled jobseekers, long-term unemployed people or elderly workers. The one target group most frequently addressed by ALMPs are young people. These youth labour market interventions target 'disadvantaged' and 'vulnerable' young people. It is thus useful to define which young people fall into these categories.

First and foremost, they are all unemployed. In OECD countries, they typically receive some kind of welfare benefits. More generally, low-skilled individuals and school drop-outs are considered vulnerable. In low-to-middle income countries, disadvantaged young people are those with little or no access to

education and the formal labour market. Finally, ALMPs may also target the inactive group of youths who are not in employment, education or training (a group known as NEETs).

### 2.2.6 Summary of programme types and mechanisms

Table 1 summarises the main features of the framework presented in the previous subsections.

Table 1. Summary of key features of active labour market programmes

	Job search assistance	Training	Private sector incentives	Public employment
Sub-types/components	Job search training; counselling; monitoring; job clubs; sanctions	Classroom training; work practice; basic skills training; life skills training	Wage subsidies; self-employment assistance; start-up grants	
Government cost	Low	Medium/high	High	High
Short-run effect	Positive	Negative	Positive	(Positive)
Long-run effect (best case)	Small positive	(Large) positive	Small positive	Zero to small positive
Long-run effect (worst case)	Small negative	Small negative	Negative	Large negative
Displacement	Medium	Low	High	High
Business cycle	Any time; expand in recession	Any time; expand in recession	Any time	Recession

Source: Author's elaboration.

## SECTION 3

### Empirical evidence of ALMP effectiveness

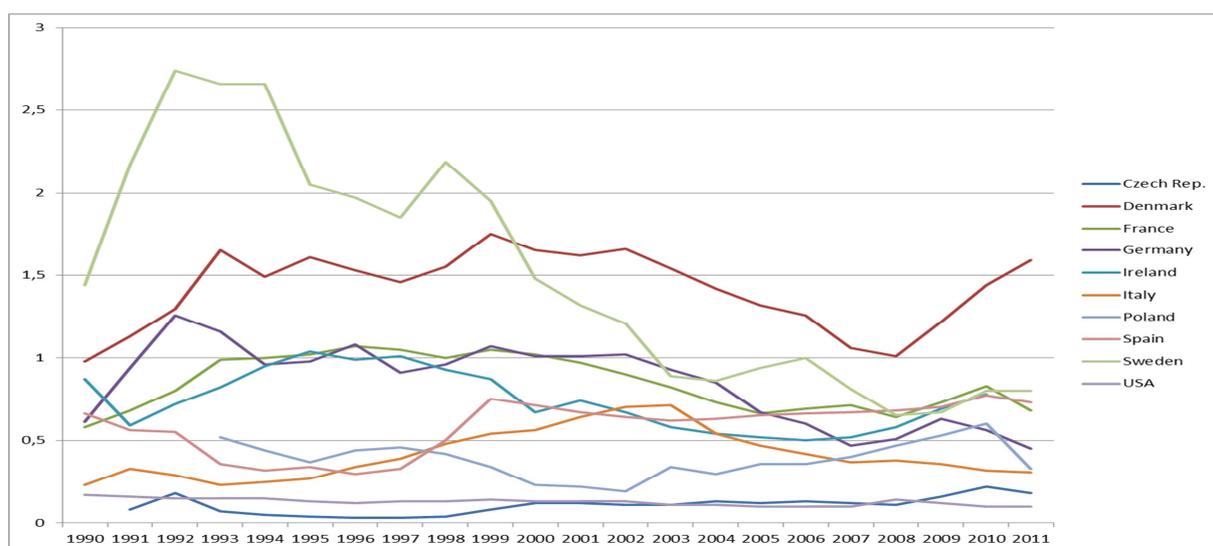
Following the theoretical framework developed in the previous section, this section presents the existing empirical evidence of ALMP effectiveness. The majority of this evidence originates in OECD countries. The section proceeds in three main steps. First, Section 3.1 presents some descriptive statistics on the actual usage of ALMPs. Second, Section 3.2 briefly discusses the two main methodological ways that allow us to determine the effectiveness of ALMPs: evaluations of single programmes and meta-analyses. Third, the evidence is reviewed and summarised. Both the findings on youth-oriented ALMPs (Section 3.3) and general ALMPs (Section 3.4) are discussed.

#### 3.1 Patterns of ALMP usage

ALMP measures are currently in use in all OECD countries. In some, they have been implemented for several decades and at a substantial cost. Figure 5 shows expenditure on active policies as a percentage of gross domestic product (GDP) for ten selected countries between 1990 and 2011. The Nordic countries stand out as the ones with the highest ALMP expenditure. Eastern European countries (here: Poland and the Czech Republic), on the other hand, have allocated a relatively low amount of funding to ALMPs.

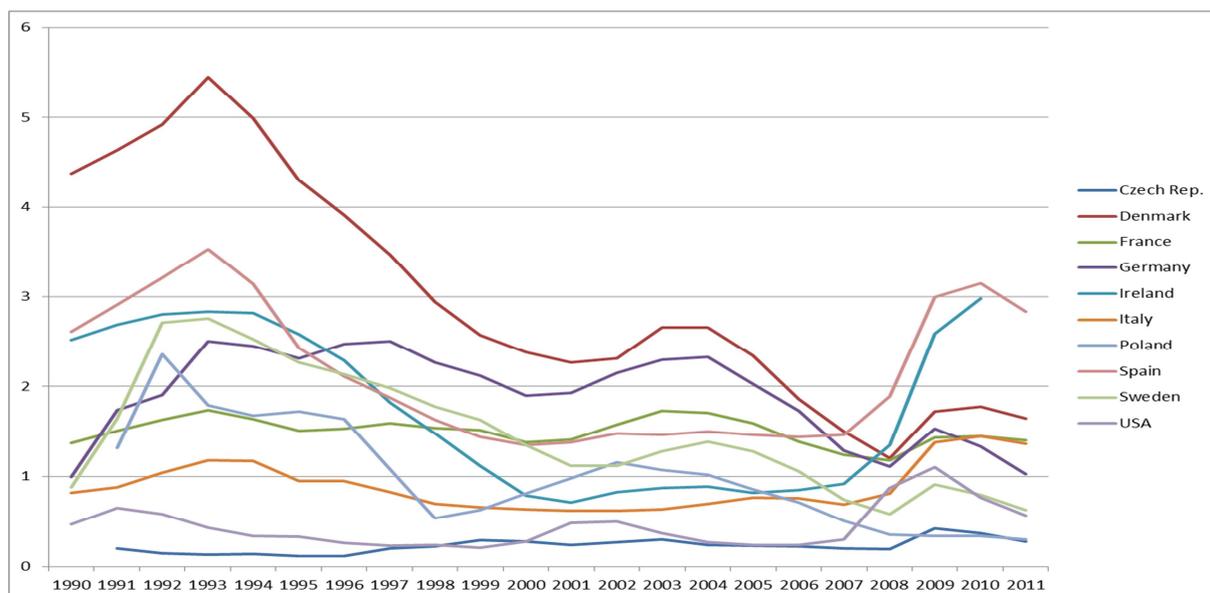
Up to the financial crisis in 2008, a general downward trend in active spending can be observed. This is probably due to decreasing unemployment in many countries during this period. One other explanation lies in the implementation of 'activation' strategies during this period, possibly resulting in a more efficient use of funds.

Figure 5. Spending on ALMPs in selected OECD countries, 1990-2011



Source: Author's elaboration using data from stats.oecd.org.

Figure 6. Passive spending in selected OECD countries, 1990-2011



Source: Author's elaboration using data from stats.oecd.org.

This downward trend in spending is even more pronounced in Figure 6, which depicts the corresponding expenditure on passive policies. This has been brought about mostly by a more stringent activation policy and less generous benefit regulations. The Nordic countries, which are traditionally noted for their high spending on labour market policy, are examples of this development. The downward trend until 2008, however, can be seen in all countries. It subsequently increases strongly, a development that is clearly most pronounced in the countries that experienced the largest surge in unemployment (Italy, Spain).

In addition, Table 2 displays the distribution of active spending by programme type and passive spending for selected European countries in 2010. Figure 7 looks at four specific cases, illustrating the policy response to the crisis. Germany (in the top right panel) is an example of a country that was not affected too strongly by the crisis. It managed to cushion the short-term labour market effects of the contraction of the economy using a comprehensive extension of its short-time working arrangements policy. Hence, when 2007 and 2010 are compared, there is basically no change at all in the funds allocated to passive policies and to the various types of active programmes.

Denmark (in the top left panel) serves as an example of a country that was significantly affected by the crisis and used the necessary funds to expand its labour market policy accordingly. As Figure 7 shows, Denmark substantially increased expenditure on passive programmes and on all four types of active programmes. For instance, expenditure on job search assistance programmes (labelled PES for public employment service) and private sector incentive schemes was more than doubled.

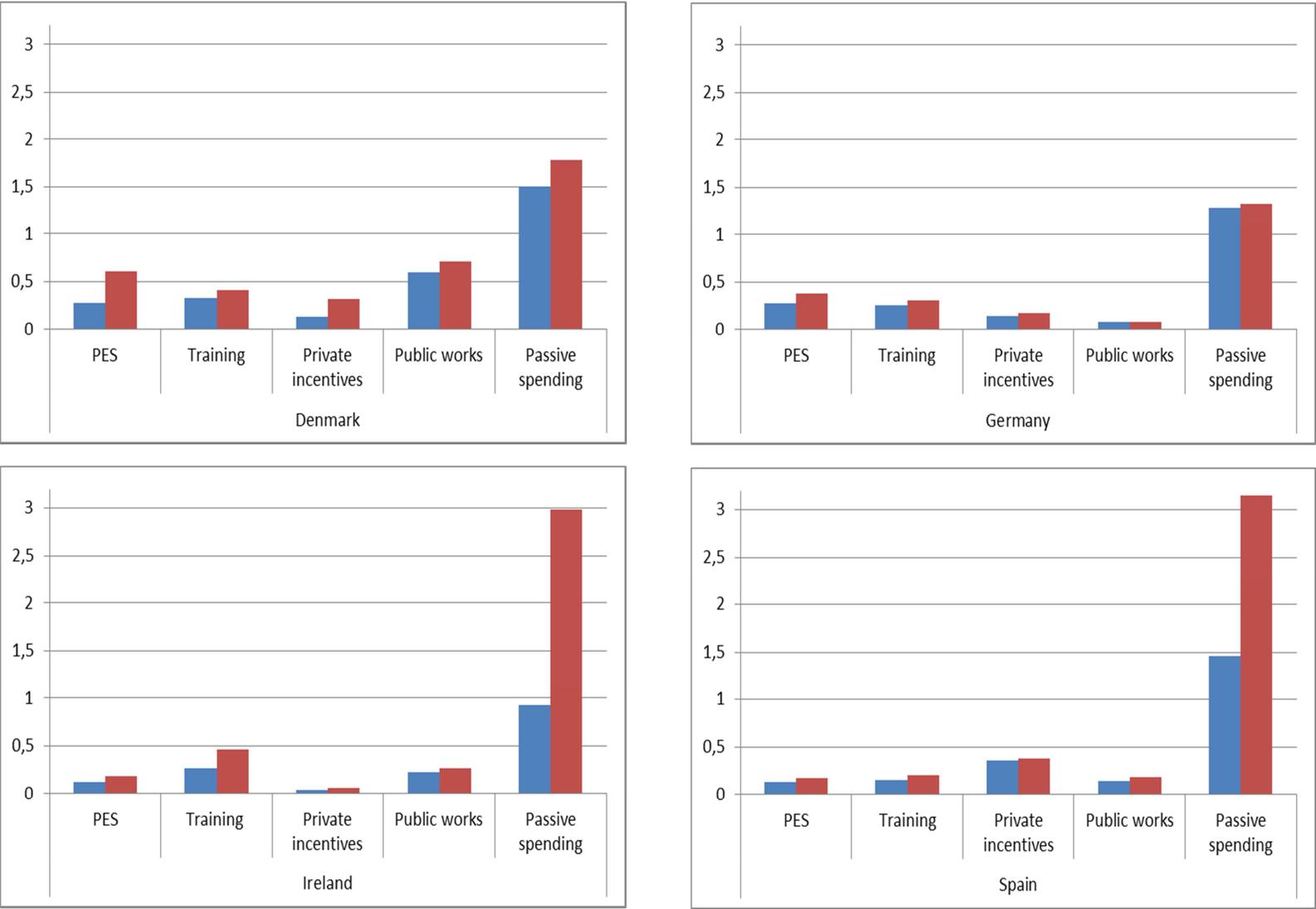
The two countries depicted in the bottom panel, Ireland (left) and Spain (right), are examples of countries most severely hit by the crisis, facing unprecedented surges in unemployment figures. This fact mechanically translates into a strong increase in passive spending, as the figure illustrates. At the same time, the figure shows that fiscal constraints kept both countries from reacting to the dire labour market situation using active programmes: expenditure on the four active programme types is essentially the same before and after the shock.

Table 2. Expenditure on active and passive labour market policies in selected EU countries, 2010

	Job search assistance	(Labour market) training	Private sector incentive schemes	Public sector employment	Passive benefits incl. early retirement schemes	Total expenditure in millions of euro
Germany	16.8%	13.5%	7.6%	3.6%	58.5%	56,502.22
France	11.7%	14.6%	6.3%	11.2%	56.2%	50,136.28
Spain	3.2%	4.6%	9.5%	2.9%	79.6%	41,480.36
Italy	1.7%	8.0%	9.3%	0.3%	80.5%	27,999.70
Netherlands	13.3%	4.7%	5.9%	16.3%	59.8%	17,240.26
Denmark	12.8%	11.2%	8.6%	19.2%	48.1%	8,740.23
Sweden	13.9%	5.0%	25.4%	12.7%	42.9%	6,508.60
Austria	8.3%	23.0%	2.8%	3.4%	62.4%	6,440.13
Ireland	4.3%	10.6%	1.5%	6.9%	76.8%	6,076.20
Finland	4.8%	19.1%	3.6%	6.7%	64.1%	4,989.71
Poland	8.9%	3.5%	30.4%	24.2%	33.0%	3,672.40
Portugal	5.5%	19.0%	6.5%	2.3%	66.7%	3,596.67
Greece	1.1%	1.8%	21.5%	0.0%	75.6%	2,135.48
Hungary	6.7%	3.7%	6.6%	29.2%	53.9%	1,297.47
Czech Rep.	16.1%	6.0%	7.9%	17.6%	52.4%	1,045.02
Romania	4.6%	0.6%	3.1%	1.0%	90.7%	749.13
Slovak Rep.	10.7%	0.6%	19.0%	5.2%	64.6%	617.49
Estonia	7.9%	5.5%	7.4%	0.2%	79.0%	157.61

Source: Eurostat data.

Figure 7. Active and passive spending in Denmark, Germany, Ireland and Spain: 2007 vs. 2010



Source: Author's elaboration using Eurostat data.

## 3.2 Ways to generate knowledge

### 3.2.1 Individual programme evaluations

In order to learn about which active labour market policy to use in a given context for a given target group, it is crucial to assess the effectiveness of single, specific interventions. Such a programme evaluation (effectiveness analysis, impact evaluation) informs the programme implementer (i.e. the policy maker) on whether the programme has achieved its objective(s). It also generates implications regarding the potential continuation, re-design, or termination of the programme. Moreover, evaluations of particular programmes typically generate knowledge that can extend to similar programmes in different contexts.

The objective of an impact evaluation is to estimate the causal effect of a programme/intervention/treatment, e.g. a training programme, on the outcome the programme wants to influence, e.g. participants' employment probability. Modern evaluation research uses a counterfactual concept of causality. This has developed over recent decades into the form in which it is used today (Holland, 1986). This causal model defines the causal effect of a treatment as the difference between the factual outcome ('Of the 100 training participants x% found a job') and the counterfactual case ('What percentage of the same 100 training participants would have found a job without the programme?'). Clearly, the counterfactual is a hypothetical construct. It can never be observed in data and must therefore be estimated as rigorously as possible in practice, typically using some control group design. Randomised controlled trials are considered the most robust design. Since such a randomised assignment of the eligible target population to a treatment and control is often not feasible in practice, a set of alternative methods exists (Imbens and Wooldridge, 2012). This is worth mentioning, since many of the empirical methods for causal analysis have been developed explicitly in the case of ALMP evaluations (Imbens and Wooldridge, 2012).

Looking back at the last two decades, essentially two broad developments regarding the evaluation of ALMPs have occurred, one in academia and one in politics. These developments have occurred in parallel to some extent, yet they are closely interconnected.

First, European policy makers have shown an increasing interest in evaluating public policies in order to be informed about the effects of these policies. This development can be traced back to the US, where policy makers recognised even in the 1960s and 1970s – when the first active labour market programmes were introduced – that the empirical evaluation of these programmes was crucial to inform policy<sup>4</sup>. This recognition marked the beginning of a general trend towards 'evidence-based policy making'.

This insight did not really reach Europe until the 1990s. The European Commission's support for ALMP evaluations as part of the European Employment Strategy has been (at least in part) a key factor in the development of a European 'evaluation culture' (for a further discussion of this development, see Kluge et al, 2007). Clearly, much heterogeneity remains between countries in the extent to which they perceive evaluations of public policies as indispensable and in the extent to which they promote the implementation of such evaluations. The general trend, however, has been encouraging. Particular milestones have been reached, for instance, with the experimental evaluation of the 'Restart' programme in the UK in the 1990s (Dolton and O'Neill, 1996) and the formal inclusion of an evaluation requirement in the Hartz laws in Germany in the early 2000s (Jacobi and Kluge, 2007). The latter example is elaborated in some more detail in Box 1.

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<sup>4</sup> In the US, the debate on the evaluation of public policies was immediately connected to the methodological debate. It was recognised that experimental evidence is needed to properly assess programme effects and inform policy accordingly (see, for example, Ashenfelter, 2014).

An openness and interest in evidence-based policy making based on programme evaluation can now be seen also in several middle-income and low-income countries. Substantial heterogeneity clearly prevails across countries and regions, but promising examples exist (see also Section 4 below). International institutions promoting and supporting the use of rigorous evaluations specifically in developing countries (such as 3ie, International Initiative for Impact Evaluation) have also contributed significantly to this development.

**Box 1. Best practice example of evidence-based policy making: an evaluation of labour market reforms in Germany**

When the German government introduced a series of comprehensive labour market reforms between 2003 and 2005, these laws were accompanied by an evaluation mandate. The reforms aimed at providing modern services on the labour market. They are commonly referred to as the Hartz reforms after the chairman who presided over an expert commission which devised the key reform components. The Hartz laws put into effect the ‘activating welfare state’ by reforming the welfare benefit system; reorganising and modernising the public employment service; and reforming active labour market programmes (Jacobi and Kluge, 2007). This comprehensive process was accompanied by a correspondingly comprehensive, legally mandated evaluation in which around 20 research institutions participated. The results were discussed in a series of workshops between policy makers and researchers, and influenced subsequent policy design. Whereas not all recommendations arising from the evaluation results were put into practice, this process of evidence-based policy making led to many important changes in German labour market policy. For instance, it led to the virtual discontinuation of ineffective public employment programmes. It also served as a blueprint for evaluations of subsequent policies. The law implementing a new parental benefit in 2007, for instance, contained a paragraph postulating an official evaluation of the new policy to learn about its effects and potential implications for re-design (see Kluge and Tamm, 2013). While not all new social policies in Germany contain such an evaluation mandate, these prominent examples constitute important cases in which policy makers asked for rigorous empirical evidence to investigate policy effectiveness.

The second, and parallel, development has been the development of a set of statistical tools by labour economists to adequately evaluate ALMPs. This methodological debate has made an important contribution to the advancement of programme evaluation (see Heckman et al, 1999). Moreover, the methodological progress has been accompanied and reinforced across countries by the increased creation and availability of large administrative datasets that are accessible to researchers. Many evaluations of particular programmes also generate new data, e.g. from surveys that have been tailor-made for the specific evaluation. This development is currently in its early stages in middle-income to low-income countries (see Section 4).

Taken together, the two developments, i.e. the increased interest by policy makers in evaluation results and evidence-based policy making and the increased capacity of researchers to provide such evidence, have resulted in a significant body of evidence on the effectiveness of ALMPs across Europe and OECD countries. The following sections show how this knowledge base can be summarised, and what the results are to date.

### **3.2.2 Systematic reviews**

The multitude of impact evaluation studies produced across countries can be surveyed and summarised in two different ways. The heading ‘systematic review’ covers both of them. The first way is the traditional literature survey, also called a narrative review. The OECD has repeatedly conducted competent and systematic narrative assessments of ALMP effectiveness (see, for example, Martin and Grubb, 2001 and OECD, 2007).

The second way to summarise the evidence is in a ‘quantitative review’ using a meta-analysis. Knowledge about the effectiveness of active labour market programmes has been summarised in meta-analyses by Greenberg et al, 2003; Kluve, 2010; and Card et al, 2010. Betcherman et al produced a systematic quantitative review that focused specifically on developing countries but had somewhat limited analytical potential due to a limited number of available evaluations (Betcherman et al, 2004). A meta-analysis is a study in which a set of individual studies that analyse the same (or similar) research topic are collected and assembled in a meta-dataset. The collection of individual studies follows a so-called ‘protocol’ that specifies criteria on the basis of which studies are included (or omitted) in the metadata. For instance, the studies by Kluve (2010) and Card et al (2010) only include evaluations of active labour market programmes that estimate programme effects using some variant of a control group design. Once the metadata is assembled, it can be analysed using (typically simple) statistical tools to identify systematic patterns in the data.

Table 3 is an example taken from a study that analyses ALMPs in Europe (Kluve, 2010). The meta-analysis determines whether an evaluation study finds a positive, negative or insignificant programme effect. It does so using a set of explanatory variables which depict: (a) type of programme and target group; (b) research design and timing; (c) institutional context in the labour market; and (d) the macroeconomic context. Specifically, the table presents estimates of the marginal effects for obtaining a negative (column 1) and positive outcome (column 2), respectively, for the full sample of 137 evaluation studies and the set of explanatory variables (a) to (d). In interpreting these estimates, it is useful to compare the sign and magnitude of the coefficients for each independent variable on two margins: the margin between a significant negative versus an insignificant effect (column 1); and the margin between a significant positive versus an insignificant effect (column 2). These coefficients would generally be expected to have opposite signs. The columns labelled “t” denote the t-statistic, which indicates the level of statistical significance of the coefficient.

Table 3. Correlates of ALMP effectiveness

	(1) Negative treatment estimate		(2) Positive treatment estimate	
	Marginal effect	t	Marginal effect	t
(a) Type of program and target group (omitted: training; adults/disabled)				
Direct employment program	0.155	1.92	-0.216	-2.13
Private sector incentive scheme	-0.144	-3.52	0.280	2.91
Services and Sanctions	-0.205	-3.87	0.436	4.63
Young workers	0.140	1.79	-0.202	-1.94
(b) Research design and timing (omitted: OLS/selection/others; studies from the 1970s and 1980s)				
Experiment	0.314	1.32	-0.356	-1.87
Matching	0.061	0.88	-0.095	-0.94
Duration	0.041	0.50	-0.064	-0.52
Study from the 1990s	0.115	1.45	-0.192	-1.50
Study from the 2000s	0.190	1.30	-0.248	-1.61
(c) Institutional context on the labor market				
Index for dismissal protection regulation	0.067	1.77	-0.109	-1.76
Index for fixed-term contracts regulation	-0.023	-0.80	0.037	0.80
Index for temporary work regulation	0.001	0.03	-0.001	-0.03
Gross replacement rate	0.004	1.40	-0.006	-1.41
(d) Macroeconomic environment				
Unemployment rate	-0.022	-2.13	0.035	1.95
ALMP expenditure (% of GDP)	0.060	1.12	-0.097	-1.13
GDP growth	0.009	0.35	-0.015	-0.35

Source: Excerpt from Table 4 in Kluve, 2010.

The results of panel (a) in Table 3 indicate that the programme type correlates highly with programme effectiveness. Both private sector incentive schemes and job search assistance (referred to as 'services and sanctions' here to include programmes that cut benefits if jobseekers do not comply with job search requirements) are significantly more likely to yield a higher probability of positive treatment effects and a lower probability of negative treatment effects, relative to training programmes. On the other hand, direct employment programmes are associated with a significantly higher probability of negative treatment effects and a significantly lower probability of positive treatment effects. For young people, the same pattern holds although the effects are a little less pronounced.

Looking at the covariates in panel (b), there is some indication that experimental studies have a lower probability of yielding significant positive effects. No pattern emerges regarding the non-experimental approaches. Perhaps surprisingly, the contextual factors regarding labour market regulations seen in panel (c) appear to play no significant role when it comes to the effectiveness of active programmes. There is an indication that strict dismissal protection may be associated with both a higher probability of negative impacts and a lower probability of positive impacts. Among the macro variables (d), ALMP expenditure and GDP display no significant influence. A higher unemployment rate is significantly associated with a lower probability of a negative impact estimate and a higher likelihood of a positive impact. These results will be discussed in more detail in the following subsection.

### 3.3 The (in)effectiveness of youth-oriented ALMPs

This subsection reviews the available evidence on youth-oriented ALMPs originating from the above-mentioned studies.

Evidence on ALMPs in OECD countries shows that young people constitute a target group that is particularly difficult to assist effectively. Compared to adult-oriented ALMPs, youth programmes are significantly less likely to deliver positive results. This consistent finding contrasts significantly with the evidence collected in other regions, most notably Latin America and the Caribbean. Youth programmes are typically more successful in this region (see, for example, Ibarrarán and Rosas, 2009).

We can only speculate about the reasons for the dismal performance of youth programmes in OECD countries. Formal schooling systems in these countries are typically well developed. The pool of young adults who are (long-term) unemployed consists of individuals with low qualifications and low skills and those who have dropped out of school without a secondary level qualification. Within a generally well-skilled labour force where a large proportion of workers have a tertiary degree, the young people targeted by ALMPs are therefore a very disadvantaged group and may thus be difficult to assist. Across regions, developed countries have among the most significant linear negative correlation between educational level attained and probability of being unemployed.

The few youth programmes that do seem to work are those that are comprehensive in their programme design and intensive in their implementation. The two most important examples of successful youth programmes in OECD countries are Job Corps in the US (Schochet et al, 2008) and the New Deal for Young People in the UK (NDYP) (see, for example, van Reenen, 2003; Dorsett, 2006). These are discussed in detail in Box 2. While both programmes clearly differ in many details, they share the core features of comprehensiveness and high intensity: in each case, the programme components comprise job search assistance, counselling, training and placement services. Similar positive results have been delivered by comprehensive programmes conducted outside the OECD. The Jóvenes programmes in several countries in Latin America and the Caribbean has been particularly successful (Ibarrarán and Rosas, 2009; Urzúa and Puentes, 2010).

## Box 2. Job Corps programme in the US

Job Corps is a national programme, administered by the US Department of Labor. It began in 1964 with the objective of teaching eligible young adults the necessary skills to improve their employability and independence, and to place them in meaningful jobs or further education. The key eligibility criteria include the following: applicants must be aged between 16 and 24; they must be legal US residents; they must be economically disadvantaged; and they must need additional education, training or job skills. The programme is committed to offering a safe, drug-free, educational environment. Participants enrol in a 30-week course to learn a trade, earn a high school diploma or pass the General Educational Development test and receive assistance in finding employment. The life cycle for participants consists of four periods: outreach and admissions, career preparation, career development, and career transition. The second component is a profiling stage, the third is a core training component and the fourth involves placement services. Participants receive a monthly allowance during their training. They also receive career counselling and transition support for up to 12 months after graduation.

Job Corps stands out as the US's largest and most comprehensive education and training programme for disadvantaged young people. It serves more than 60,000 new participants per year at a cost of about USD 1.5 billion. Because of the sizeable costs involved, the US Department of Labor sponsored the National Job Corps Study. The study was conducted between 1993 and 2004 to examine the effectiveness of the programme. Results are published in a series of reports and summarised in an article by Schochet et al (2008). The impact evaluation is based on a large-scale randomised controlled trial involving around 9,400 young people in the programme group and almost 6,000 young people in the control group. This research connected to program operation also constitutes an outstanding example of best practice in evidence-based policy making.

One result of the evaluation is that the programme offers more education and training services to young people. The total increase amounts to about 1,000 hours, equivalent to a standard 10-month school year. At the same time, Job Corps measurably improves literacy skills. In terms of core labour market outcomes, statistically significant earnings gains were made by participants in the first two years after they exited the programme. However, these differences in earnings between the programme and the control group do not continue in subsequent years. An exception is seen in the 20- to 24-year-old age group. This group constitutes about one-quarter of Job Corps participants, who typically remain in the programme longer and are more highly motivated and disciplined.

Job Corps also significantly reduces involvement in crime for all subgroups. Given the programme costs, a cost-benefit analysis is therefore of particular interest. Schochet et al (2008) conclude that, because overall earnings gains do not persist, the benefits to society of Job Corps are smaller than the substantial programme costs. The authors' best estimate is that the cost to society of Job Corps exceeds the benefits by about USD 10,300 per participant. Indeed, the benefits from increased lifetime earnings (USD 1,119), reduced use of other programmes and services (USD 2,186) and reduced crime (USD 1,240) are small compared to its costs. However, the programme does appear to be cost-effective for the subgroup of 20-to-24-year-olds, whose earnings gains persist even in years 3 to 8 after exiting the programme. In addition, benefits exceed costs from the perspective of programme participants.

### Box 3. The New Deal for Young People (NDYP) programme in the UK

In 1998, the British government launched the New Deal for Young People under the age of 25 (NDYP) as a key element of its welfare-to-work strategy. The objective is to help young unemployed people into work and increase their employability. Participation is mandatory for all 18- to 24-year-olds who have been receiving unemployment benefit (Jobseeker's Allowance) for six months or more. Within the programme, young people are first provided with job search assistance before being offered training or alternative programmes. Individuals initially enter a 'Gateway' stage during which they are assigned a personal adviser who gives them extensive assistance on finding a job. If the unemployed young person is unable to find an unsubsidised job and is still in receipt of benefit at the end of the Gateway stage (at most 4 months), one of four New Deal 'options' follows: (i) full-time education and training; (ii) job subsidy ('employers' option'); (iii) public employment ('environmental task force'); or (iv) voluntary work. All options last up to six months, with the exception of the full-time education and training option, which can last up to 12 months. With all other options, employers are obliged to offer education and training at least one day a week. This should also lead to the achievement of a formal education. The final, third stage is 'follow-through' with continuing advice and assistance to those remaining on Jobseeker's Allowance after completing their option.

Evaluation results (e.g. Blundell et al, 2004; Dorsett, 2006) suggest that there has been a significant increase in outflows to employment due to the New Deal and that social benefits outweigh the costs. Unemployed young men are about 20% more likely to get jobs as a result of the policy. Much of this effect is probably due to the take-up of the employer wage subsidy, but at least a fifth of the effect is due to enhanced job search. Since the job search assistance element of the New Deal is more cost-effective than the other ALMP options, the New Deal counts as the least costly comprehensive intervention for young people in OECD countries.

It is worth having a closer look at the Jóvenes programmes and the lessons learnt from them. The Jóvenes programmes have represented the prototypical model of a comprehensive intervention for young people to increase skills and improve employment chances in Latin America and the Caribbean since 1991. Following the first of its type, 'Chile Joven', the Jóvenes model typically targets disadvantaged young workers aged between 16 and 29 years of age. Other targeting criteria are income levels, education and regional coverage (within countries). Participants consist of poor young people with low levels of education (secondary school at most), who are unemployed or underemployed (Puerto, 2007). Three main features characterise the Jóvenes model (Ibarrarán and Rosas, 2009).

First, the financing of the training is separated from the provision of training. The government selects training courses competitively through a public bidding system. Private and (in most cases) public firms or training institutions can participate in the process.

Second, the nature of the training is demand-driven. This means that the government does not stipulate the content of the training courses. Instead, training institutions coordinate courses and internships, balancing the needs of the productive sector (demand) with the skills taught in the programme (supply).

Third, the intervention is a 'multi-service approach' (Puerto, 2007). Its most important feature is that it combines an initial classroom training phase with a subsequent internship/work experience phase in firms. The training covers basic and specific trades. It is complemented by life skills, job search assistance, counselling and information. Employers and participants receive financial incentives such as wage subsidies and daily stipends, respectively, to guarantee participation. Table 4 summarises the quantitative impacts of the Jóvenes programmes.

Table 4. Results of the Jóvenes youth training programmes in Latin America and the Caribbean

Country	Increase in employment	Increase in earnings	Cost-benefit analysis
Argentina: Proyecto Joven	10% (women)	10% (monthly wages)	NPV > 0 if 12 years of positive benefits (DR = 5%)
Chile: Chile Joven	21% (individuals younger than 21 years old, women)	26%	—
Colombia: Jóvenes en Acción	5% (women)	18% (men), 35% (women)	IRR = 4.5% (men), 13.5% (women)
Dominican Republic: Juventud y Empleo	Not significant	10%	NPV > 0 if 2 years of positive benefits (DR = inflation)
Peru: ProJoven	6%	18% (hourly)	NPV > 0 if 7 years of positive benefits (DR = 5%) IRR > 4%
Panama: ProCaJoven	10–12% (women and Panama City residents)	Not significant	NPV > 0 if 1 year of positive benefits (IR = DR)

Source: Ibararán and Rosas, 2009.

In the majority of OECD countries in which youth-oriented ALMPs show no positive effects, other factors are likely to be at play: two-tier labour markets in which the ‘insiders’ are rather well protected can make it difficult for ‘outsiders’, particularly the young and/or low-skilled, to enter the market. France and Spain are typically cited as examples. This structural phenomenon may play a role for ALMP effectiveness. If the obstacles generated by labour market institutions are too high, even an effective ALMP may not be enough to help young people across that obstacle. In fact, recent results indicate a significant systematic relationship between a high degree of employment protection legislation and ineffective youth-oriented ALMPs (Kluve, 2012). In other words, youth-oriented programmes are less likely to work in a labour market with restrictive regulations.

### 3.4 General findings on ALMP effectiveness

As indicated by the results in Table 3 above, the evaluation literature has identified strong systematic patterns of effectiveness by programme type.

**Job search assistance programmes**, i.e. services and sanctions, are often effective. Since these are typically relatively low-cost interventions, they also have a higher likelihood of being cost-effective.

**Wage subsidy programmes** also seem to be very effective, while **public employment** is not. The latter often causes negative treatment effects, presumably as a result of stigmatisation and/or types of public works that cannot even maintain the human capital that participants had prior to the programme.

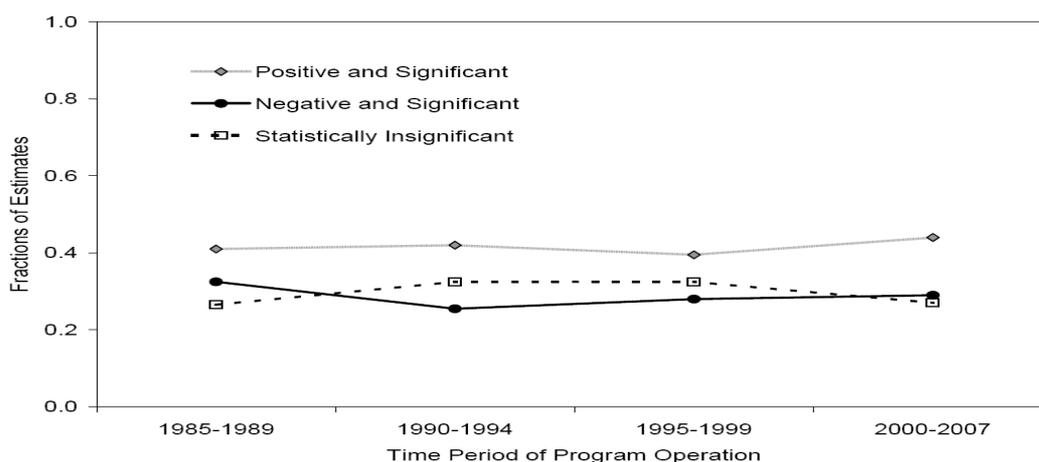
The issue of wage subsidies raises two questions: (a) are there any positive employment effects in the long run? (b) can distortionary general equilibrium effects, such as substitution, displacement and deadweight loss (discussed in Section 2.2), really be ruled out?. To date, these issues have not been convincingly addressed in programme evaluation research. Another issue with wage subsidies is that potential distortions in the labour market become more likely the larger the scale of the intervention.

This means that wage subsidies may be suitable for specific target groups in well-defined contexts (sectors, regions), but do not seem to be good candidates for large-scale public policy.

On average, the impacts of programmes have not become more positive over time. As two meta-analyses show, this seems to be the case both for the US (Greenberg et al, 2003) and for programmes worldwide (Card et al, 2010, based on data coming mostly from OECD countries). As the US studies are based on randomised controlled trials, this finding implies that programmes have not improved over time. The larger sample of worldwide evaluations, on the other hand, suggests that programmes have improved somewhat over time. However, this development is neutralised in the aggregate data by the fact that early programme evaluations based on limited data and evaluation methods were more likely to produce overly positive results, while more recent evaluations using large datasets and rigorous methods come closer to measuring the ‘true’ programme effect. This fact produces the flat pattern seen in Figure 8, while the authors believe that the ‘true’ trend hidden by the methodological development is actually upward and points to slightly improved policies over time.

**Labour market training** programmes are modestly effective, if we look at the overall average of all evaluations to date. Skills training is the most popular and most frequently used programme and theoretically also the most promising one due to the human capital formation component. It is therefore worth looking at two further patterns found in recent research on training.

Figure 8. ALMP effectiveness over time



Source: Card et al, 2010.

First, training impacts may materialise in the long run, sometimes even the very long run (Lechner et al, 2011). There is increasing evidence that the most effective programme sequence for unemployed individuals in OECD countries is (i) intensive job search assistance with counselling and monitoring, causing positive short-run effects and (ii) training, causing positive medium- to long-run effects due to human capital accumulation (Hotz et al, 2006). The meta-analysis by Card et al (2010) also finds that medium-run and long-run impacts of ALMPs are more positive than the short-run impacts. Table 5, for instance, shows that many programmes with negative or insignificant short-run effects switch to positive medium-run effects (28.6% and 30.6%, respectively). It also shows that this switch always goes only in a positive direction, never the other way.

Second, recent research indicates that training programmes with durations of about four to five months seem to achieve maximum effectiveness. Longer treatments do not boost participants’ post-treatment employment performances any further (Kluve et al, 2012). This is the case for training programmes that do not lead to vocational degrees. Training programmes that do lead to vocational degrees are typically much longer (up to two years of training) and also show positive treatment effects (Lechner et al, 2011).

Table 5. Programme impacts increase with time after the programme

	Percent of Medium-term Estimates that are:		
	Significantly Positive (1)	Insignificant (2)	Significantly Negative (3)
<u>Short-term Impact Estimate:</u>			
a. Significantly Positive (N=30)	90.0	10.0	0.0
b. Insignificant (N=28)	28.6	71.4	0.0
c. Significantly Negative (N=36)	30.6	41.7	27.8

Source: Card et al, 2010.

ALMP research shows that early intervention is better than late intervention. This conclusion can be justified with economic reasoning (early skills formation results in a longer payoff period) and also with the importance of capacity building, including social skills, before adulthood (Urzúa and Puentes, 2010).

The effectiveness of the comprehensive programme types (Job Corps, New Deal for Young People, Jóvenes programmes) also points to the importance of building integrated structures of skill formation. The institutional relationship between vocational training programmes and the formal education system is relevant in this regard.

Finally, despite having identified the systematic patterns outlined above, the literature on ALMP evaluation shows that continued and further evaluation efforts are necessary. The existing body of evidence has contributed significantly to our understanding of the type of ALMP that seems to work. At the same time, many questions remain open. For instance, most evaluations estimate short- and medium-run impacts, and little is known about long-run effects of ALMPs. Further evidence on the exact composition of multi-component programmes is needed. The interplay between treatment length and programme effectiveness also needs further investigation. These examples of open questions point to the importance of continuing impact evaluation research. In addition to this more general quest for knowledge, the evaluation of any single programme is clearly important in order to appropriately inform the policy makers and implementers responsible for a particular programme.

## SECTION 4

### Active labour market policies and youth-oriented active labour market policies in ETF partner countries

This section reviews the experience with ALMP usage and ALMP evaluations in ETF partner countries. The assessment is based on a systematic data collection, the first part of which presents key background characteristics for each country (Section 4.1). Subsequently, the current status quo of ALMP usage along with evaluation results is presented and discussed by regional groupings: South Eastern Europe and Turkey; Southern and Eastern Mediterranean; and Eastern Europe. Findings indicate that most countries are at the beginning of the process of implementing ALMPs and/or use ALMPs on a limited scale. Only a few rigorous evaluations of ALMPs in ETF partner countries exist to date.

#### 4.1 Country characteristics

Prior to assessing the implementation and evaluation of ALMPs in ETF partner countries, this subsection looks at a set of key background characteristics at country level. Specifically, Table 6 presents a general economic context for the various countries (annual GDP growth and GDP per capita); demographic characteristics (population growth and fertility rate); and a set of educational indicators, including public spending on education, literacy rates and school enrolment by educational level. The data displayed in Table 6 is drawn from the World Bank database and from statistics collected and provided by the ETF. For expositional purposes, values are presented for two years in each case: 2007 and the latest available year, typically 2011 (indicators shaded yellow) or 2012 (indicators shaded green). It can be seen that only limited data is available across ETF partner countries for several of the educational measures.

Across ETF partner countries, GDP growth was generally high pre-crisis, i.e. in 2007. It ranged from an annual growth rate of 2.7% in Morocco to 25.0% in Azerbaijan. Several years later (the latest available data is for 2012), the economic slowdown and the aftermath of the crisis are still visible in most countries, with the economy contracting or growing at relatively small rates.

In terms of demographic indicators (annual population growth and fertility rate), there are notable distinctions between regions. Many of the Southern and Eastern Mediterranean countries are characterised by (still) high fertility rates – albeit often slowly declining – and substantial population growth. In countries like Algeria, Egypt and Jordan, about 50% of the population is younger than 25 years of age. In this region, only Lebanon stands out with low fertility rates. Population growth rates in Morocco and Tunisia are placed somewhere in-between. South Eastern Europe and Eastern Europe are in stark contrast to these countries. Population figures are declining in most of these countries. Fertility rates are far below the demographic replacement threshold of 2.1 and sometimes even below what is known as the lowest-low fertility rate of 1.4. Across both regions, the only exceptions are Kosovo, Turkey and Azerbaijan, where fertility rates are around or just above 2.1.

Table 6. Background characteristics of ETF partner countries

ETF countries			General economic context		Education										
ETF Region	Partner country	Year	GDP growth (annual %)	GDP per capita (current US\$)	Population growth (annual %)	Fertility rate, total	Public spending on education, total (% of GDP)	Expenditure per student, primary (% of GDP per capita)	Expenditure per student, secondary (% of GDP per capita)	Expenditure per student, tertiary (% of GDP per capita)	Literacy rate, youth total (% of people ages 15-24)	School enrolment, primary (% gross)	School enrolment, secondary (% net)	School enrolment, tertiary (% gross)	
South Eastern Europe and Turkey	AL - Albania	2007 LAY	5.9 1.6	3380.9 3999.9	-0.4 0.3	1.8 1.7	3.3				98.8			31.8 54.9	
	BA - Bosnia and Herzegovina	2007 LAY	6.8 -0.7	3949.8 4555.6	-0.2 -0.1	1.2 1.3					99.7			34.1 37.7	
	XK - Kosovo	2007 LAY	8.3 2.7	2736.5 3568.0	0.8 0.9	2.4 2.2									
	MK - FYR Macedonia	2007 LAY	6.1 -0.3	3891.9 4565.3	0.1 0.1	1.5 1.4					98.7	87.6		34.8	
	ME - Montenegro	2007 LAY	10.7 -0.5	5938.6 7041.2	0.2 0.1	1.7 1.7					99.3	95.9 98.4		34.5	
	RS - Serbia	2007 LAY	5.4 -1.7	5276.9 5189.6	-0.4 -0.5	1.4 1.4	4.7 4.8	55.6 54.9	13.6 14.1	37.3 44.7	99.3	98.3 91.4	90.4	48.0 52.4	
	TR - Turkey	2007 LAY	4.7 2.2	9312.1 10666.1	1.3 1.3	2.2 2.1					96.4 98.7	98.6	80.2	38.5	
Southern and Eastern Mediterranean	DZ - Algeria	2007 LAY	3.4 3.3	3845.8 5347.7	1.7 1.9	2.7 2.8						93.3 97.3		22.3 31.5	
	EG - Egypt	2007 LAY	7.1 2.2	1757.8 3256.0	1.7 1.7	3.0 2.8	3.7					95.9		31.9	
	JO - Jordan	2007 LAY	8.2 2.7	3022.5 4909.0	2.2 2.2	3.6 3.4		12.6 22.5	16.1 22.0		98.9 99.1	94.7	86.0	41.2	
	LB - Lebanon	2007 LAY	7.5 1.4	6052.6 9705.4	1.5 1.0	1.6 1.5	2.6 1.6			14.4 8.8	98.7	88.4 93.2	68.7 67.5	46.7 46.3	
	MA - Morocco	2007 LAY	2.7 4.2	2416.3 2902.3	0.9 1.4	2.4 2.7		14.4	38.7		81.5	88.3 96.9		11.8	
	PS - Palestine	2007 LAY													
	TN - Tunisia	2007 LAY	6.3 3.6	3799.3 4236.8	1.0 1.0	2.0 2.1	6.5 6.2				49.9 49.4	96.3	97.3 98.9		31.1 35.2
Eastern Europe	AM - Armenia	2007 LAY	13.7 7.2	3079.1 3351.4	-0.4 0.2	1.7 1.7	3.0 3.1				7.4	99.8	84.1	90.1 82.7	44.3 46.0
	AZ - Azerbaijan	2007 LAY	25.0 2.2	3851.3 7163.7	1.1 1.3	2.0 1.9	2.5 2.4				9.6 18.0	100.0	83.4	85.7	19.4
	BY - Belarus	2007 LAY	8.6 1.5	4736.0 6685.0	-0.5 -0.1	1.4 1.5	5.2 4.8				17.9 13.6		89.6 94.0	95.6	70.2 91.5
	GE - Georgia	2007 LAY	12.3 6.0	2318.0 3490.2	-0.2 0.6	1.8 1.8	2.7 2.7		13.2		12.2	99.8	94.5 98.3	81.1	36.8 27.9
	MD - Moldova	2007 LAY	3.1 -0.8	1230.8 2037.6	-0.2 0.0	1.5 1.5	8.3 8.6	31.6 41.5	38.4 38.3	39.0 42.9		100.0	87.6 87.9	72.9 71.9	42.0 38.2
	RU - Russia	2007 LAY	8.5 3.4	9146.4 14037.0	-0.3 0.4	1.4 1.5							90.2		74.1
	UA - Ukraine	2007 LAY	7.9 0.2	3068.6 3867.0	-0.6 -0.2	1.3 1.5	6.2 6.2		28.1	27.5	30.5 37.7	99.8	88.8 97.9	84.9 85.6	75.4 79.7
Central Asia	KZ - Kazakhstan	2007 LAY	8.9 5.0	6771.4 12116.2	1.1 1.4	2.5 2.6	2.8				7.9		90.0 86.0	87.2 86.3	50.8 44.5

Table 6. (continued) Background characteristics of ETF partner countries

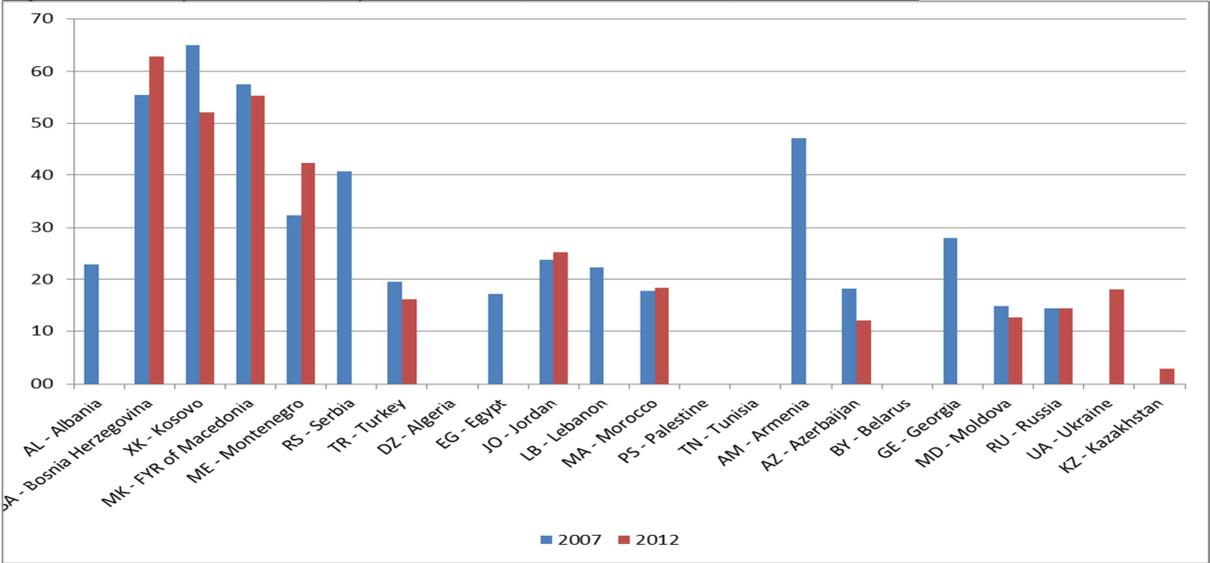
ETF countries			Labor market indicators													
ETF Region	Partner country	Year	Labour participation rate, total (% of total population ages 15+)	Labour participation rate, male (% of male population ages 15+)	Labour participation rate, female (% of female population ages 15+)	Unemployment total (% of total labour force)	Unemployment male (% of male labour force)	Unemployment female (% of female labour force)	Unemployment youth male (% of male labour force ages 15-24)	Unemployment youth female (% of female labour force ages 15-24)	Agriculture value added (% of GDP)	Industry value added (% of GDP)	Services value added (% of GDP)	Agriculture employment share (%)	Industry employment share (%)	Services employment share (%)
South Eastern Europe and Turkey	AL - Albania	2007	56.7	66.8	46.7	13.5	14.4	12.2	22.8	15.8	20.5	18.8	60.7	57.7	13.3	29.0
	LAY		55.1	65.4	45.0					nd	18.3	15.6	66.1	54.6	13.7	31.7
	BA - Bosnia and Herzegovina	2007	44.2	58.0	31.4	29.7	27.4	33.7	55.4	62.3	8.8	28.6	62.6	19.8	32.6	47.6
	LAY		45.3	57.2	34.1	28.1	26.4	30.8	62.8	62.8	8.4	24.8	66.8	19.6	28.9	51.5
	XK - Kosovo	2007				46.3	38.5	55.2	65.0	78.6	12.0	20.0	68.0	14.6	20.7	64.8
	LAY					30.9	28.1	40.0	52.0	63.8	14.0	19.5	66.5	6.2	23.4	70.6
	MK - FYR Macedonia	2007	54.5	66.2	42.9	34.9	34.5	35.5	57.4	58.3	10.6	31.0	58.5	18.3	31.3	50.4
LAY		55.1	67.3	42.9	31.0	31.5	30.3	55.2	51.7	11.5	26.0	62.6	18.7	30.0	51.3	
ME - Montenegro	2007				19.4	18.1	20.9	32.4	45.2	9.1	20.9	70.0	8.6	17.5	73.8	
LAY					19.6	18.9	20.4	42.3	39.7	10.1	20.1	69.8	5.5	19.0	75.5	
RS - Serbia	2007				18.1	15.8	21.0	40.7	48.3	10.3	28.3	61.4	20.7	27.7	51.4	
LAY					23.9	23.2	24.9						21.2	26.9	51.9	
TR - Turkey	2007	45.9	69.5	23.6	10.3	10.0	11.0	19.6	20.8	8.7	28.3	63.1	23.5	26.7	49.8	
LAY		49.4	70.8	29.4	9.2	8.5	10.8	16.3	19.9	9.1	27.0	63.9	25.5	26.5	48.1	
Southern and Eastern Mediterranean	DZ - Algeria	2007	42.8	71.5	13.6	13.8	12.9	18.4			7.7	58.6	33.7	13.6	29.7	56.7
	LAY		43.7	71.9	15.0						9.3	48.5	42.2	10.8	30.8	58.4
	EG - Egypt	2007	47.8	73.4	22.5	8.9	5.9	18.7	17.2	47.9	14.1	36.3	49.6	31.7	22.1	46.0
	LAY		49.0	74.6	23.6	12.7	9.3	24.1			14.5	39.2	46.3	29.2	23.5	47.1
	JO - Jordan	2007	42.0	67.4	15.3	13.1	10.2	25.9	23.7	47.9	2.8	31.6	65.5	2.7	20.0	77.3
	LAY		41.3	66.2	15.3	12.2	10.4	19.9	25.2	48.8	3.1	30.1	66.8	1.9	18.5	79.6
	LB - Lebanon	2007	46.5	70.3	21.1	9.0	8.6	10.1	22.3	21.5	7.1	21.9	71.0	7.2	13.8	79.0
LAY		47.2	70.5	22.8						6.1	20.5	73.4				
MA - Morocco	2007	52.1	60.4	44.2	9.8	9.8	9.8	17.9	15.5	13.7	27.3	59.0	40.8	21.7	37.4	
LAY		50.0	57.4	43.0	9.0	8.7	9.9	18.4	19.2	14.6	29.6	55.8	39.8	21.9	38.3	
PS - Palestine	2007												16.1	23.4	60.5	
LAY													11.9	25.7	62.4	
TN - Tunisia	2007	46.5	69.0	24.5	12.4	11.3	15.3			9.4	31.4	59.2	18.5	32.5	49.0	
LAY		47.5	70.6	25.1						8.7	29.9	61.4	17.7	33.0	49.3	
Eastern Europe	AM - Armenia	2007	59.0	69.1	49.4	28.4	21.9	35.0	47.2	69.4	20.3	43.9	35.8			
	LAY		62.6	73.4	51.6						21.6	33.2	45.2	38.6	17.4	44.0
	AZ - Azerbaijan	2007	64.1	68.2	60.4	6.3	7.1	5.5	18.2	10.4	7.0	68.5	24.5	38.7	12.8	48.5
	LAY		65.6	68.9	62.5	5.2	4.3	6.1	12.2	16.3	5.5	63.1	31.5	37.9	14.1	48.1
	BY - Belarus	2007	55.5	62.0	50.0						9.3	42.2	48.5	10.8	35.0	54.2
	LAY		55.7	62.7	49.9						9.7	44.4	45.9	10.4	34.1	55.5
	GE - Georgia	2007	63.4	73.1	55.2	13.3	13.9	12.6	28.1	36.8	10.7	24.3	65.0	53.4	10.4	36.2
LAY		64.7	74.7	56.2	15.0	16.1	13.8			8.5	23.1	68.3				
MD - Moldova	2007	44.4	47.9	41.3	5.1	6.3	3.9	14.9	13.9	12.0	14.8	73.2	32.8	18.8	48.5	
LAY		40.0	43.3	37.0	5.6	6.8	4.3	12.8	13.4	13.1	16.8	70.1	27.5	18.7	53.7	
RU - Russia	2007	63.0	70.0	57.1	6.0	6.4	5.6	14.5	14.4	4.4	36.4	59.1	7.8	29.3	62.9	
LAY		63.5	71.4	57.0	5.5	5.8	5.1	14.5	15.1	3.9	36.0	60.1	7.9	27.7	64.4	
UA - Ukraine	2007	58.2	65.5	52.2	6.4	6.7	6.0			7.5	36.7	55.8	16.6	23.9	59.5	
LAY		59.1	66.6	53.0	7.5	8.5	6.4	18.1	16.1	9.3	29.8	60.9	16.8	21.0	62.2	
Central Asia	KZ - Kazakhstan	2007	70.4	75.5	65.7	7.3	5.9	8.7			6.1	40.6	53.3			
	LAY		72.2	77.5	67.5	5.3	4.1	6.5	2.9	5.1	4.7	39.5	55.8			

Notes:     Last available year: 2011     Last available year: 2012     Divergence from year used in the column

The second part of Table 6 focuses on labour market indicators. Although some data is missing across countries, most indicators are available, specifically also for the year 2012. This data is shaded green; the red-shaded cells indicate that there are some data inconsistencies across sources. Looking at labour participation rates first, there are two main observations. First, overall labour participation appears relatively low in many countries compared to OECD countries, though the variation is quite large. The lowest figures are seen in Moldova (40% in 2012) and Jordan (41% in 2012). The highest rates – in Azerbaijan (66% in 2012) and Kazakhstan (72% in 2012) – exceed average labour participation rates in countries such as the US (63% in 2012), the UK (62%), Germany (60%), Spain (59%) or Italy (49%). However, many ETF partner countries average around 50%.

Second, strongly diverging labour participation rates for the male and female populations are a feature of many countries. This is particularly pronounced in the Southern and Eastern Mediterranean countries: Algeria and Egypt, for instance, have a 72% and 75% participation rate among male workers, but only rates of 15% and 24%, respectively, among female workers. In Jordan, Tunisia and Turkey the gaps are similarly marked. In South Eastern Europe, this pattern is not as pronounced as it is in the Southern and Eastern Mediterranean, but the differential is still around 20 percentage points. In Eastern Europe, the difference narrows further, averaging around 10 to 15 percentage points, but is relatively close in some countries (6 percentage points in both Azerbaijan and Moldova). In addition, Figures 9 and 10 illustrate the enormous and persistent challenge that youth unemployment generates, particularly in South Eastern Europe.

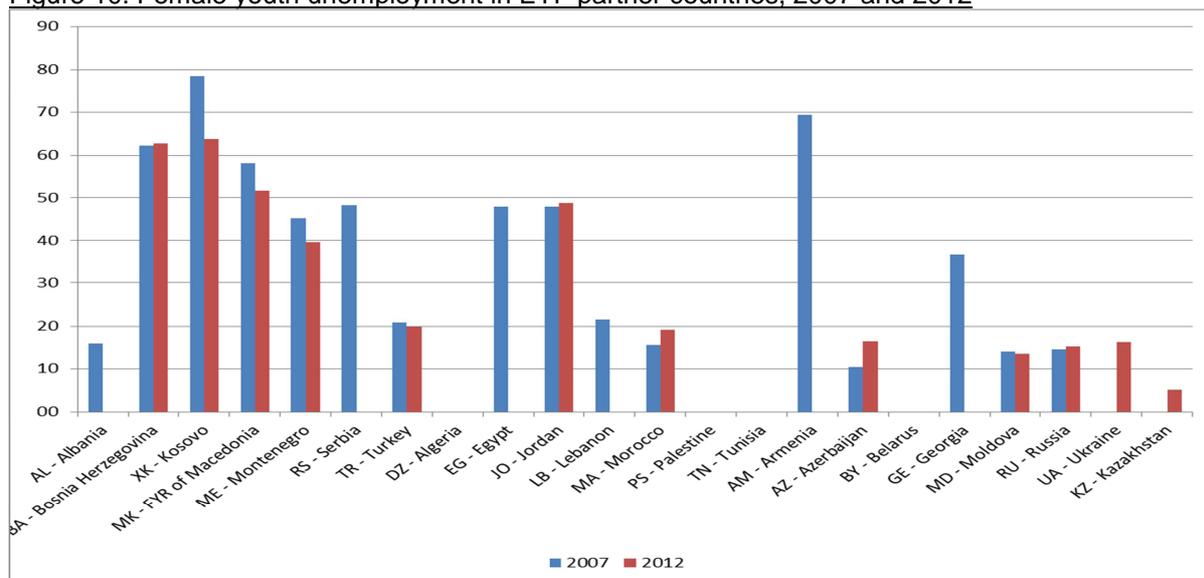
Figure 9. Male youth unemployment in ETF partner countries, 2007 and 2012



Source: Author's elaboration using World Bank data.

Finally, differences in the sectoral composition of value added and employment shares are also apparent across countries and regions. In countries such as Albania, Georgia, Azerbaijan, Egypt and Morocco, the employment share in agriculture ranges from 30% to over 50%. The countries with the largest employment shares in the industrial sector (around 30% or above) include Bosnia and Herzegovina, FYR Macedonia, Algeria, Tunisia, Belarus and Russia, where the corresponding shares are typically exceeded by value added in terms of a percentage of GDP. The services sector has emerged as the most important part of the economy in most ETF partner countries. However, some countries have employment shares or value added shares of less than 50%. These include, for instance, Algeria and Egypt in the Southern and Eastern Mediterranean, and Armenia, Azerbaijan and Georgia in Eastern Europe.

Figure 10. Female youth unemployment in ETF partner countries, 2007 and 2012



Source: Author's elaboration using World Bank data.

## 4.2 ALMP usage and evaluation in ETF partner countries

This section complements the information contained in Table 6 with data on the usage of ALMPs and available ALMP evaluations in ETF partner countries. Section 4.2.1 presents and discusses the ETF partner countries in South Eastern Europe and Turkey. Section 4.2.2 looks at the ETF partner countries in the Southern and Eastern Mediterranean region. Section 4.2.3 focuses on the situation in ETF partner countries in Eastern Europe. Each section contains summary tables of ALMP usage data and evaluations that have been systematically collected. This data can be combined with the background information discussed previously. Assembling data in this format amounts to a type of systematic review that is somewhere in-between the 'narrative' and 'quantitative' review types outlined above (Section 3.2.2). The data sources for this review include research reports (typically produced or commissioned by the ETF, the European Commission and the World Bank), academic papers and expert interviews. Sources are specified in the tables and detailed in the References section<sup>5</sup>.

### 4.2.1 South Eastern Europe and Turkey

The first column in Table 7 shows that a number of persistent patterns emerge in the usage of ALMPs in the countries of South Eastern Europe, specifically Albania, Bosnia and Herzegovina, Kosovo, FYR Macedonia, Montenegro and Serbia. First, usage of ALMPs is relatively recent. Many countries only started using active policies in the last five to ten years. Many other countries are still in the process of devising or revising national employment strategies, in which ALMPs are meant to play a role. Second, only a small fraction of potential beneficiaries are served by ALMPs. Typically, the share of registered unemployed people receiving unemployment benefits is already low (i.e. 10% or lower), with Montenegro and Turkey being notable exceptions. Consequently, the share of unemployed people participating in active measures is even lower. Third, this finding corresponds with the fact that insufficient funds are allocated to the provision of ALMPs. In the countries of South Eastern Europe, an average of 0.1% of GDP or less is allocated to ALMPs (2008 figures). Montenegro is the exception, allocating 0.33% of GDP in 2008.

<sup>5</sup> Names and affiliations of the experts who were interviewed are given in the Acknowledgements section at the beginning of this document.

Information gathered in the expert interviews for specific countries indicates that these shares have not increased over recent years (e.g. Serbia, see Box 4 for details). Fourth, ALMP strategies, as measured by budget shares of programme types, differ according to country. Some countries seem to focus on training (Albania), others on public works (Kosovo); other countries focus on wage subsidies (Bosnia and Herzegovina) or start-up incentives (FYR Macedonia). Some countries specifically implement youth programmes (e.g. ALMP for Youth in Kosovo and First Chance in Serbia), though the available information on these topics is clearly limited and no definitive comparable statistics seem to exist to date.

Table 7. Review of ALMP usage and evaluations (I): South Eastern Europe and Turkey

Partner country	ALMP usage	ALMP evaluations and results
AL – Albania	<ul style="list-style-type: none"> <li>— ALMPs introduced in 1999</li> <li>— 2009: 1.5% of unemployed people involved in ALMPs (excluding training in public training centres)</li> <li>— ALMP spending as % of GDP in 2008: 0.02</li> <li>— Budget shares 2008/2009: 81% training, 19% supported employment</li> <li>— 2010: 7.8% of registered unemployed people received unemployment benefits; 1.6% of registered unemployed people participated in ALMPs (ETF, 2011)</li> </ul>	<p>Vidovic et al (2011) assert that no ALMP evaluations in Albania have been implemented. They emphasise that the Ministry of Labour has expressed a focus on monitoring and evaluating the PES.</p>
BA – Bosnia and Herzegovina	<ul style="list-style-type: none"> <li>— ALMPs poorly developed and implemented because of inadequate PES structure and lack of skills among PES staff (Vidovic et al, 2011)</li> <li>— ALMP spending as % of GDP in 2008: 0.06</li> <li>— Budget shares 2008/2009: 87% wage subsidies, 13% training</li> <li>— 2008: Almost all ALMPs implemented within the framework of international donor programmes</li> <li>— 2010: 2.4% of registered unemployed people received unemployment benefits; 3.7% of registered unemployed people participated in ALMPs (ETF, 2011)</li> </ul>	<p>[Kolev and Saget (2005) review an evaluation study that finds positive re-integration effects of a programme that combines job search assistance with training for demobilised soldiers. While some of the participants are probably young people, the relevance of this study is quite limited in the context.]</p> <p>Bruhn and Zia (2011) evaluate a privately provided entrepreneurship training programme in business and financial literacy for young entrepreneurs. They find that while the programme did not influence business survival, it significantly improved business practices, investments and loan terms for surviving businesses.</p>
XK – Kosovo	<ul style="list-style-type: none"> <li>— 2008: 3.8% of unemployed people involved in ALMPs</li> <li>— Underdeveloped PES not able to implement effective ALMPs (Vidovic et al, 2011)</li> <li>— ALMP spending as % of GDP in 2010: 0.11</li> <li>— Budget shares 2008/2009: 65% public works, 35% training</li> <li>— 2007: ALMP for Youth is launched (see evaluations). It targets low-skilled, unemployed young people aged 15 to 29 with little or no work experience. Programme components are tailored and include on-the-job training, work practice, classroom training, wage subsidies, vocational training.</li> </ul>	<p>Mukkavilli (2008) evaluates a youth programme that was implemented by the United Nations Development Programme (UNDP) in 2007. It focused on (i) building institutional capacity and (ii) training, work practice and subsidies for young people. A total of 1,481 young people were assisted.</p> <ul style="list-style-type: none"> <li>— The evaluation finds positive employment and earnings effects, quite large in the case of the former (26 percentage points). Some methodological issues remain.</li> <li>— The study recommends that youth-oriented ALMPs need to reach young people with low levels of education who are not registered with the PES.</li> </ul>

Partner country	ALMP usage	ALMP evaluations and results
MK – former Yugoslav Republic of Macedonia	<ul style="list-style-type: none"> <li>— ALMPs in use since 2007</li> <li>— 2008: Less than 2% of unemployed people involved in ALMPs</li> <li>— ALMP spending as % of GDP in 2010: 0.12</li> <li>— Budget shares 2008/2009: 72% start-up incentives, 15% public job creation, 8% training</li> <li>— 2010: 7.6% of registered unemployed people received unemployment benefits; 1.9% of registered unemployed people participated in ALMPs (ETF, 2011)</li> </ul>	<p>Kolev and Saget (2005) review a 2001 World Bank study. Results are therefore somewhat outdated, but include the following findings:</p> <ul style="list-style-type: none"> <li>— Counselling is more effective for older and more educated workers.</li> <li>— Training with non-guaranteed jobs is somewhat effective, more so for males.</li> <li>— Training programmes with guaranteed jobs are the most effective, particularly for young people. Twice as expensive as the other training programme.</li> <li>— Public works programmes are very expensive, but have little positive impact.</li> </ul> <p>Vidovic et al (2011) assert that the net impact of ALMPs in FYR Macedonia has not been assessed since a World Bank evaluation analysed programmes implemented between 1996 and 1999.</p>
ME – Montenegro	<ul style="list-style-type: none"> <li>— ALMPs initiated by the PES in the 1990s</li> <li>— ALMP spending as % of GDP in 2010: 0.33</li> <li>— Budget shares 2008/2009: 31% start-up incentives, 29% wage subsidies, 21% public job creation, 17% training</li> <li>— 2010: 41.6% of registered unemployed people received unemployment benefits; 39.4% of registered unemployed people participated in ALMPs (ETF, 2011)</li> </ul>	<ul style="list-style-type: none"> <li>— No evaluations available (Vidovic et al, 2011)</li> </ul>

Partner country	ALMP usage	ALMP evaluations and results
RS – Serbia	<ul style="list-style-type: none"> <li>— ALMPs in use since 2003</li> <li>— ALMP spending as % of GDP in 2010: 0.12</li> <li>— Budget shares 2008/2009: 37% public job creation, 26% training, 24% wage subsidies, 14% start-up incentives</li> <li>— The First Chance youth employment programme was launched in 2009. Targets registered unemployed people up to 30 years of age. Contents: One year vocational training followed by one year employment in the contracting firm. In 2009, 11,000 young people were employed within the framework of the programme. Programme now discontinued (World Bank, 2013).</li> <li>— 2010: 9.7% of registered unemployed people received unemployment benefits; 10.8% of registered unemployed people participated in ALMPs (ETF, 2011).</li> </ul> <p>Some more specific data from the World Bank (2013):</p> <ul style="list-style-type: none"> <li>— Number of ALMP participants has declined in the last four years: 131,000 (2007), 151,000 (2008), then gradually decreasing to 133,000 (2012).</li> <li>— In line with this development, the budget allocation for ALMPs has been shrinking: 0.10% in 2012.</li> <li>— 25% of all ALMP participants are 25 years of age or younger. They are somewhat over-represented in job search programmes (28%); more or less proportionately represented in further education and training programmes and wage subsidy programmes; and under-represented in public works (19%) and entrepreneurship training/support programmes (11%).</li> </ul>	<p>A current World Bank overview (2013) summarises the findings of existing evaluations. Key results:</p> <ul style="list-style-type: none"> <li>— Labour market training: Short-term impact on employment of around 5%; impact greater in the medium term (around 10%); greater impacts for the 30- to 49-year-old age group; no specific results relevant to young people</li> <li>— First Chance programme: Net employment effect of 34%</li> <li>— Job clubs: Positive net employment effect around 5% at 6 months; biggest impact for participants younger than 29 years of age</li> <li>— Subsidies for new employment creation: Significant positive employment effects in the short run (50% net), but apparently offset by large deadweight losses (though no concrete estimates). No specific results relevant to young people</li> <li>— Self-employment programmes: 'Generally effective, but without precise evaluation results' (World Bank, 2013).</li> <li>— Public works: Effective as a safety net. No specific results relevant to young people.</li> </ul> <p>Some additional results:</p> <ul style="list-style-type: none"> <li>— A tracer study by the World Bank (2013) indicates the gross effect of job search programmes: an employment rate of about 19% six months after programme completion,</li> <li>— Bonin and Rinne (2006) analyse the Beautiful Serbia ALMP implemented in 2004 and 2005. The programme combined two components: (i) vocational training and (ii) temporary employment in the construction sector. The evaluation finds positive employment effects, moderate productivity and wage effects. The sociodemographic composition is unclear, but young people probably did not comprise the main group of programme participants.</li> </ul>

Partner country	ALMP usage	ALMP evaluations and results
<b>TR – Turkey</b>	<ul style="list-style-type: none"> <li>— 2010: 23.3% of registered unemployed people received unemployment benefits; 14.6% of registered unemployed people participated in ALMPs (ETF, 2011)</li> <li>— Each year, in 2009, 2010 and 2011, approximately 210,000 individuals participated in an ALMP (ETF statistics)</li> <li>— The Turkish Employment Agency (ISKUR) plays a key role in upgrading jobseekers' skills: numbers have increased from 30,000 trainees in 2008 to 464,000 in 2012, the latter figure representing almost 20% of registered unemployed people</li> <li>— ISKUR provides two types of training: general training and job-guaranteed training. The former applies to two-thirds of courses and beneficiaries and is the focus of a recent evaluation study (see column on the right).</li> <li>— General training courses have an average length of three months and are contracted to public or private training providers (about 50%t each). Trainees receive a stipend during the course.</li> <li>— To be eligible, jobseekers must be 15 years of age, have primary education and some pre-existing skills, depending on the course they take. Since there is excess demand, jobseekers need to apply to participate (only one course in 24 months) and are screened to ensure that eligibility criteria are met.</li> <li>— As one response to the worldwide crisis, Turkey expanded its short-time working arrangement regulation in 2009. The key changes included an extension of the maximum benefit period from three to six months and an increase in the allowance covered by the unemployment insurance system. As a result, the number of workers benefitting from the short-time working arrangement scheme amounted to just over 500,000 at the end of 2009.</li> </ul>	<p>A key document is a recent World Bank evaluation (World Bank, 2013b) of ISKUR's vocational training programme. The evaluation was conducted using a randomised experimental design, yielding rigorous impact estimates.</p> <p>Key results:</p> <ul style="list-style-type: none"> <li>• The study does not find significant effects on individual employment probability;</li> <li>• training does have a positive impact on the quality of employment;</li> <li>• combining training with some job search assistance at the end of the programme seems be a beneficial for increasing employment outcomes;</li> <li>• courses provided by private contractors deliver better results.</li> </ul>

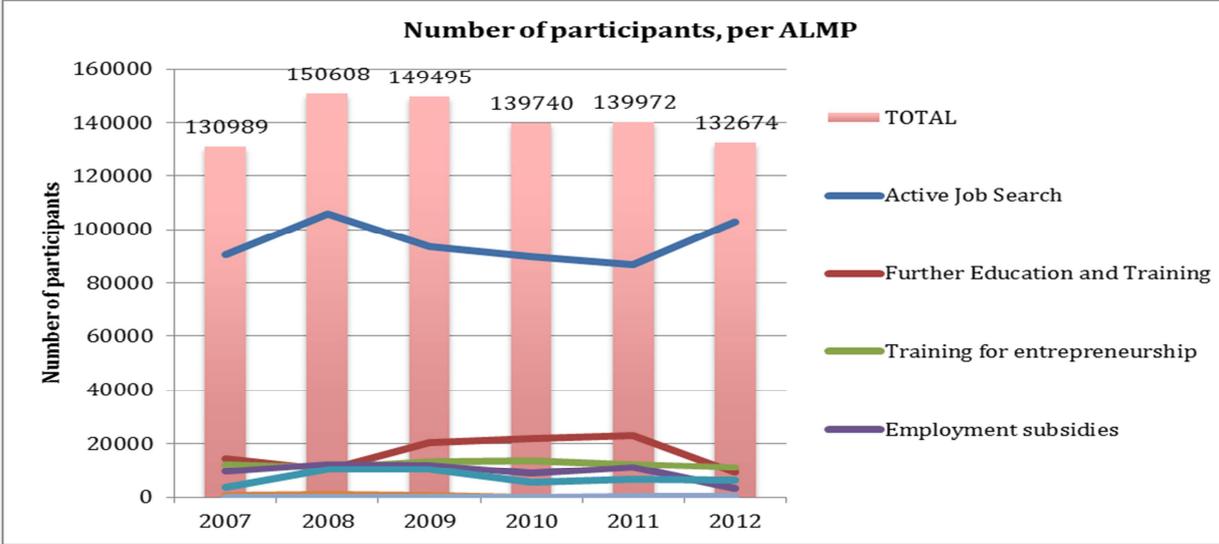
Source: Author's elaboration.

The data on ALMP evaluations and results (second column) indicates further limitations. Virtually no systematic evaluation of government-implemented ALMPs exists in South Eastern Europe, not to mention even any distinction between youth and adult programmes. The available evidence presented in Table 7 does point to some positive impacts of ALMPs, but does not allow systematic conclusions to be drawn. First, many of the evaluations are somewhat outdated and do not correspond to current programmes. Second, some evaluations look at pilot programmes implemented by international donors that also do not relate to current or recent government-run programmes. Third, several of the cited studies contain methodological caveats. This fact was disregarded when collecting data for the table in order to include all the available studies.

A notable exception to this general finding is a recent experimental evaluation of the training programmes offered by the Turkish Employment Agency (ISKUR). The World Bank conducted the evaluation on behalf of the Turkish government. Box 5 provides further details. This study represents an example of best practice of evidence-based policy making in the region.

**Box 4. ALMPs in Serbia**

Active labour market programmes have been in place in Serbia since 2003. While several programme types have been utilised, general spending is relatively low (2010: 0.12% of GDP). A recent overview by the World Bank (2013a) shows that both participant numbers and allocated funds have stagnated or declined in recent years. The following figure is taken from that report and illustrates participant numbers in several programme types. The generally declining trend in ALMP usage is mostly due to fiscal limitations that do not allow for the additional allocation of funds to active programmes (recall the discussion of Figure 7 above).



Source: World Bank (2013a).

Serbia did implement a high-profile youth-oriented ALMP: the First Chance programme. It included employment-based training for independent work in a profession, with the purpose of acquiring the required experience for taking a professional exam as set out by the law or as required by the employer. The programme was aimed at young, highly educated people with no professional experience. The employer was entitled to a refund of the employee’s salary costs for the duration of the programme. Despite the positive impacts of the programme identified by an evaluation study – a net employment effect of 34% – the programme has been discontinued (World Bank, 2013a).

#### **Box 5. Evaluation of ALMPs in Turkey: the impact of ISKUR's vocational training programmes**

The Turkish Employment Agency (ISKUR) plays a key role in upgrading the skills of jobseekers in Turkey. For instance, the number of trainees increased from 30,000 in 2008 to 464,000 in 2012. The 2012 figure represents almost 20% of registered unemployed people (World Bank, 2013b). ISKUR provides two types of training: general training and job-guaranteed training. The former covers two-thirds of courses and beneficiaries. General training courses last an average of three months and are contracted to either public or private training providers (about 50%). Trainees receive a stipend during the course. To be eligible, jobseekers must be 15 years of age and have primary education and some pre-existing skills, depending on the course they take. Since there is excess demand, jobseekers need to apply to participate (only one course in 24 months) and are screened to ensure that eligibility criteria are met.

A recent study uses the excess demand to implement an experimental evaluation of ISKUR's general vocational training programme (World Bank, 2013b). The relevance of the study is threefold. First, the increasing use of training prompted the Turkish government to commission the study to learn about the impact and identify ways of enhancing it (evidence-based policy making). Second, the evaluation was conducted using a randomised experimental design, yielding rigorous impact estimates. Third, the evaluation investigates a public policy, not merely a pilot programme.

The study does not find significant effects on individual employment probability. Nevertheless, training does have a positive impact on the quality of employment. The study shows that combining the training with some job search assistance at the end of the programme would be a beneficial way of improving the programme further. It also shows that the courses provided by private contractors deliver better results. This underlines the importance of demand-driven courses and programmes containing market-related elements. These results correspond to findings from other countries and emphasise further the importance of these design features. Finally, the authors suggest that a better definition of priority groups for training and improved profiling would also further strengthen programme impacts.

#### 4.2.2 Southern and Eastern Mediterranean

Table 8 covers the same type of information on ALMP usage and evaluation for the Southern and Eastern Mediterranean region and comes to similar conclusions. The countries reviewed include Algeria, Egypt, Jordan, Lebanon, Morocco, Palestine and Tunisia. As Table 8 shows, collecting systematic data on ALMP usage in the Southern and Eastern Mediterranean is challenging. This is because ALMP provision in these countries is fragmented and complex (see ‘ALMP usage’ column on the left). Many actors in these labour markets design and implement a variety of programmes. Correspondingly, the available reports do not seem to provide information that can be systematised and compared across countries (such as participant shares or funds allocated, see above).

In line with this observation and given the results for ALMP evaluations in South Eastern Europe above, knowledge about programme effectiveness in the Southern and Eastern Mediterranean is extremely limited (Table 8, right-hand column). Several evaluations are based on unclear and unconvincing methodologies. A small number of rigorous impact evaluations focus on specific pilot programmes with an unclear connection to government-run programmes. While no conclusions can therefore be drawn about ALMPs or youth-oriented ALMPs, a few of the rigorous pilot studies provide interesting results with some broader implications. One example is a wage subsidy voucher programme and soft skills training course in Jordan, targeted at female community college graduates. The results of an experimental evaluation indicate that the subsidy did lead to increased work experience, though apparently not to any long-term impacts on employment (Groh et al, 2012). However, the exact mechanism by which the voucher affects take-up of the subsidy and subsequent work experience needs further investigation. A second important example is the ‘Turning theses into enterprises’ entrepreneurship training programme implemented in Tunisia and reviewed in more detail in Box 6.

Table 8. Review of ALMP usage and evaluations (II): Southern and Eastern Mediterranean

Partner country	ALMP usage	ALMP evaluations and results
DZ – Algeria	The National Employment Agency (ANEM) implements a series of youth employment programmes (Musette, 2013). The Graduate Integration Contract and Professional Integration Contract are subsidy-type programmes; the Training Insertion Contract is a training-type programme. It is not clear, however, to what extent these programmes constitute ALMPs in the sense discussed here. The same observation applies to similar programmes implemented by the Social Development Agency (Musette, 2013; Table 6).	— No results available.

Partner country	ALMP usage	ALMP evaluations and results
EG – Egypt	<p>Systematic information on ALMPs in Egypt is difficult to identify. The country seems to have a fragmented and complex system of ALMPs in the areas of vocational training, entrepreneurship and public works (Angel-Urdinola et al, 2013). Accordingly, the objectives are manifold: enhance employability, provide a safety net, encourage employment creation (Angel-Urdinola et al, 2013). Large public works programmes and microcredit programmes have been implemented. The technical and vocational education system is particularly fragmented. Many services are supply-driven and of low quality (Angel-Urdinola et al, 2013).</p>	<p>Overall assessments of the fragmented implementation of ALMPs in Egypt are given in EU DG ECFIN (2010) and Angel-Urdinola et al (2013). No specific results for young people seem to be available.</p> <ul style="list-style-type: none"> <li>— Most ALMPs seem to be provided mainly through governmental and quasi-governmental bodies. They suffer from limited efficiency, skewed targeting and heavy reliance on international donor support (EU DG ECFIN, 2010). The report therefore concludes that ALMPs have not been effective in creating jobs in Egypt: programmes have received substantial public resources but their effectiveness remains unclear: 'Most of these programmes have not been appropriately monitored and their impacts have not been well evaluated' (EU DG ECFIN, 2010, p. 43).</li> <li>— The more recent report by Angel-Urdinola et al (2013) comes to slightly more positive conclusions. For instance, the authors assert that – despite ample room for improvement – public labour employment mediation is an important mechanism for unemployed people to find jobs in Egypt. Training programmes, however, need to shift from a fragmented, loosely coordinated market to more systematic, comprehensive initiatives. Finally, data collection efforts and evaluations need to be strengthened considerably.</li> </ul>

Partner country	ALMP usage	ALMP evaluations and results
JO – Jordan	<p>Until very recently, Jordan was characterised by a virtual absence of any provision of ALMPs (EU DG ECFIN, 2010). This has changed to some extent with the emergence of the first comprehensive national employment strategy (El-Rayyes, 2013). Nonetheless, a key characteristic of the Jordanian situation is that an array of ministries and agencies are involved in policy making and service provision related to ALMPs and skills development in general (Angel-Urdinola et al, 2013). El-Rayyes, (2013) compiles a five-page table covering the key actors in employment policy in Jordan. The process to strengthen coordination is currently underway. There seems to be little systematic information available regarding provision of ALMPs in terms of factors such as target group or expenditure.</p>	<p>No systematic evaluation of ALMPs seems to exist to date (Angel-Urdinola et al, 2013; El-Rayyes, 2013).</p> <p>Two studies based on randomised controlled trials look at young people in Jordan:</p> <ul style="list-style-type: none"> <li>— Groh et al (2012) analyse a wage subsidy voucher programme and a soft skills training programme. The programme is targeted at young female community college graduates. The subsidy led to increased work experience, though apparently not to any long-term impacts on employment. The soft skills programme increased measures of positive thinking and mental health.</li> <li>— A study by Morton and Montgomery (2012) looks at the effects of empowerment-based education on adolescent outcomes. The effects of the programme were insignificant, but positive for some outcomes (e.g. conduct problems). Both internal and external validity of the study are probably limited.</li> </ul>
LB – Lebanon	<p>ALMP provision in Lebanon is limited in scope (Angel-Urdinola et al, 2013) and until recently was non-existent (EU DG ECFIN, 2010). Public intervention has been geared mainly to the financing and implementation of public employment services, training programmes and development programmes for small and medium-sized enterprises (SMEs). Overall, programmes tend to have insufficient budget; coverage is limited and their quality and impact are questionable (Angel-Urdinola et al, 2013). Programme reforms and budget increases seem to be under way, but there is still considerable scope for increased and better-targeted investments in ALMPs (Angel-Urdinola et al, 2013).</p>	<ul style="list-style-type: none"> <li>— No results available.</li> </ul>

Partner country	ALMP usage	ALMP evaluations and results
MA – Morocco	<p>The provision of ALMPs is also fragmented in Morocco, but the National Agency for Employment and Skills Promotion (ANAPEC) offers a set of programmes (Angel-Urdinola et al, 2013; Table 5.1):</p> <ul style="list-style-type: none"> <li>— Idmaj: Assists participants in obtaining their first job contract with a private sector enterprise</li> <li>— Infitah: Supports participants in finding work on the international labour market (Spain, France)</li> <li>— Taehil: Provides training for the labour market and labour market integration</li> <li>— Moukawalati: Provides self-employment support</li> </ul>	<p>The following are some empirical (gross) findings as stated in Angel-Urdinola et al (2013):</p> <ul style="list-style-type: none"> <li>— An evaluation of Idmaj showed mixed results. A significant number of workers seem to stay on after the initial contract. However, only just under half of all contracts are maintained until the end of the full contract period.</li> <li>— Infitah was successful in identifying work opportunities abroad and significantly improving the earnings situation of participants. At the same time, they remained in vulnerable situations in their host countries.</li> <li>— Evaluation results for Taehil are not conclusive. Findings point to extending training periods and focusing more strongly on practical training.</li> </ul>
PS- Palestine	<p>Provision of ALMP-type services fragmented; no systematic information available on details of programmes (type, duration, expenditure, target group) by the government, NGOs and international donors.</p>	<ul style="list-style-type: none"> <li>— No results available.</li> </ul>

Partner country	ALMP usage	ALMP evaluations and results
<b>TN – Tunisia</b>	<p>Formal ALMP provision in Tunisia was initiated in 1981 and has long been at the core of Tunisian labour market policy (Angel-Urdinola et al. 2013). Up to 2009, the National Agency for Employment and Independent Work (ANETI) managed up to 20 programmes. Access to these programmes was virtually unconditional with little or no targeting. In 2009, the programmes were consolidated into a set of key programmes (reviewed in Table 7.5 in Angel-Urdinola et al, 2013 and Table 2 in Zouari, 2013). The following programmes target young people:</p> <ul style="list-style-type: none"> <li>— AMAL: Provides active job search assistance for first-time jobseekers, offering information, coaching, stipends and internships</li> <li>— SIVP: Helps first-time jobseekers and university graduates to acquire professional skills to facilitate labour market integration in the public or private sector</li> <li>— CIDES: Acts essentially as a re-training work practice programme for long-term unemployed young people</li> <li>— SCV: Similar to SIVP</li> </ul>	<ul style="list-style-type: none"> <li>— No evaluation results available for the key ALMP programmes.</li> <li>— A study by the World Bank (Premand et al, 2011) provides experimental evidence for an entrepreneurship training programme integrated into the last year of university. The evaluation finds slightly positive effects on self-employment. The overall effect on unemployment, however, is zero, suggesting a partial substitution from wage employment to self-employment.</li> </ul>

Source: Author's elaboration.

#### Box 6. Entrepreneurship training for university graduates in Tunisia

Youth entrepreneurship training is frequently suggested as a policy with a lot of potential, particularly in contexts with insufficient demand for labour, high population growth, and/or high youth unemployment (also among the high-skilled). The main idea behind entrepreneurship training is to enable young people to gain skills and create their own jobs. A recent study by Premand et al (2011) presents experimental evidence on a new entrepreneurship track that provided business training and personalised coaching to university students in Tunisia.

Undergraduates in the final year of the *licence appliquée* were given the opportunity to graduate with a business plan instead of following the standard curriculum. The intention was that the business plan would subsequently translate into a real business after graduation. The study uses randomised assignment of the entrepreneurship track to identify impacts on labour market outcomes one year after graduation. The empirical analysis finds that the entrepreneurship track was effective in increasing self-employment among applicants, but that the effects are small in absolute terms. In addition, the employment rate among participants remains unchanged, pointing to a partial substitution from wage employment to self-employment. The evidence shows that the programme fostered business skills, expanded networks and affected a range of behavioural skills. Participation in the entrepreneurship track also heightened graduates' optimism about the future shortly after the Tunisian revolution. An open question concerns the role that credit constraints may have played – or generally play – in the relationship with entrepreneurship skills training.

### 4.2.3 Eastern Europe

Table 9 presents some comparative statistics on ALMP usage and evaluations for ETF partner countries in Eastern Europe, covering Armenia, Azerbaijan, Belarus, Georgia, Moldova, Russia and Ukraine. The findings are very similar to the observations made for South Eastern Europe. First, the introduction of ALMPs is a very recent process. In some countries, notably Georgia, it is only beginning. Second, ALMPs are used to a very limited degree: participant numbers are low, as is public spending on these types of policy.

Table 9. Review of ALMP usage and evaluations (III): Eastern Europe

Partner country	ALMP usage	ALMP evaluations and results
AM – Armenia	<p>Several ALMP programmes exist. Figures obtained from a World Bank expert indicate spending of 6.7 million euros on labour market policy in 2012. About one-third of this was allocated to ALMPs. The PES covers &lt; 10% of workers, probably the least employable. Benefits are low and remittances are a feature of the economy, with the result that there is little incentive for jobless workers to register with the system. However, the PES functions and employment mediation works; PES staff are motivated. The programmes involve 'employment mediation plus' rather than actual ALMPs.</p> <p>The experts also pointed out that the SPEED database (Social Protection and Expenditure on Evaluation Database) is under construction and may be made available upon request to the respective ministry.</p> <ul style="list-style-type: none"> <li>— ALMP spending as % of GDP in 2007: 0.04 (ETF, 2011)</li> </ul>	<ul style="list-style-type: none"> <li>— No evaluation results available.</li> </ul>
AZ – Azerbaijan	<ul style="list-style-type: none"> <li>— Spending on ALMPs was 5.6 million euros in 2008, and 8.8 million euros in 2009 (EU DG EMPL, 2011)</li> <li>— ALMP spending as % of GDP in 2008: 0.015 (ETF, 2011)</li> <li>— The number of participants in training and re-training is small (about 3,400 in 2008, but 2,500 of them under 29 years of age)</li> <li>— Public works programmes do not exist. Also, self-employment/start-up programmes have not been implemented yet (EU DG EMPL, 2011)</li> <li>— According to regional experts from the World Bank, a SPEED database is also under construction (see Armenia)</li> </ul>	<ul style="list-style-type: none"> <li>— No evaluation results available.</li> </ul>

Partner country	ALMP usage	ALMP evaluations and results
BY – Belarus	<ul style="list-style-type: none"> <li>— ALMP spending as % of GDP in 2008: 0.08 (ETF, 2011)</li> <li>— Details of existing programmes unclear</li> </ul>	<ul style="list-style-type: none"> <li>— No evaluation results available.</li> </ul>
GE – Georgia	<ul style="list-style-type: none"> <li>— No current ALMPs in place</li> <li>— World Bank expert indicates that processes of systematically implementing (and assessing) ALMPs is just about to start; SPEED under construction (see Armenia)</li> </ul>	<ul style="list-style-type: none"> <li>— No evaluation results available.</li> </ul>
MD – Moldova	<ul style="list-style-type: none"> <li>— ALMP spending as % of GDP in 2008: 0.022 (ETF, 2011)</li> <li>— A national employment strategy was adopted in 2007 for the years 2007 to 2015. It comprises both active and passive policies. However, expenditure is insufficient to tackle labour market problems (EU DG EMPL, 2009). Low unemployment benefits together with a complicated registration system have led to a highly restricted number of registered unemployed people compared with the real figure (EU DG EMPL, 2009).</li> </ul>	<ul style="list-style-type: none"> <li>— No evaluation results available.</li> </ul> <p>[In evaluating social assistance in the years 2001 to 2004, Verme (2008) finds no significant impact on poverty reduction.]</p>
RU – Russia	<ul style="list-style-type: none"> <li>— ALMPs exist (Benus et al, 2004), but current statistics are difficult to identify</li> </ul>	<p>[Some older evaluations exist. For example, Benus et al (2004) find that a re-training programme has no significant impact on any of four outcomes; Nivorozhkin and Nivorozhkin (2007) find a modestly positive effect resulting from vocational training programmes.]</p>
UA – Ukraine	<ul style="list-style-type: none"> <li>— ALMP spending as % of GDP in 2008: 0.03 (ETF, 2011)</li> <li>— The two main programmes are in the areas of public works (in 2008, this accounted for 17% of registered unemployed people) and training (in 2008, this accounted for 7% of registered unemployed people) (EU DG EMPL, 2009)</li> </ul>	<p>[Mikhed (2007) analyses the effectiveness of training and public works using data for the period 2001 to 2003. The results indicate no significant effects for the public works programme, but significantly positive short-term impacts for training.]</p>

Source: Author's elaboration.

Finally, little is known about ALMP strategies in terms of the programme types implemented or planned. Given this lack of information on ALMP usage in Eastern Europe, virtually no programme evaluations exist, with the exception of a few specific and somewhat outdated evaluations for Moldova, Russia and Ukraine.

## SECTION 5

### Conclusions and recommendations

*This section summarises the main findings of the analysis in this paper. It draws conclusions and sets out the main policy recommendations that emerge from the results.*

On the face of it, the review of ALMP usage and evaluations in ETF partner countries makes for a somewhat disenchanting picture. Little is known about ALMP usage and impacts in South Eastern Europe and Turkey. Less than that is known about the situation in the Southern and Eastern Mediterranean, and even less is known about the countries of Eastern Europe. The following is a summary of the facts that can be gleaned from this systematic assessment:

- ETF partner countries are often at the beginning of the process of designing strategies for employment policy and implementing ALMPs. If they have already started, they have not advanced far in this process.
- The share of potential beneficiaries served by active programmes is low.
- The funds allocated to active labour market policies are insufficient, a fact that has been strongly connected with fiscal constraints in recent years.
- ALMP strategies – as measured by the breakdown of budgets allocated to different programme types – diverge across countries and little systematic data on this issue exists.
- There are very few informative evaluations about ALMP effectiveness. Existing evaluations are often either outdated, not related to actual government-run programmes or face methodological caveats. Exceptions to this rule are several specific evaluations of pilot programmes and the recent evaluation of vocational training programmes in Turkey.

Finally, the previous points do not even distinguish between adult-oriented and youth-oriented ALMPs, the latter being the focus of this study, since information about youth-oriented ALMPs is even more scarce.

Notwithstanding these findings and the limited availability of evaluations to date (in particular rigorous impact evaluations), many important lessons can be learned from experiences in OECD countries, low-to-middle income countries in Latin America and the few existing studies in ETF partner countries. Given that many ETF partner countries are still in the process of designing employment policies, setting up more extensive public employment services and implementing ALMPs, this presents an ideal opportunity for learning from the lessons of the past. In fact, this could allow ETF partner countries to explicitly integrate their ALMP portfolio into a process of evidence-based policy making. They could systematically learn from programme experience (potentially through pilots, a strategy well worth considering if funds are limited) and feeding back into policy design.

What, therefore, are the key lessons that the international experience with youth-oriented ALMPs can teach ETF partner countries?

First, **active programmes should be demand-driven**. When designing programmes, for instance, it is crucial to incorporate private sector enterprises through work practice, on-the-job training and internships. Training providers might be selected using a public bidding system and required to collaborate with firms in the provision of their services. As the Turkish example shows, contracting out training to private providers can substantially enhance training.

The inclusion of a demand-driven component raises the issue of **designing multi-component programmes**. It is generally useful for programmes to combine several components, such as classroom training, work practice, life skills training and potentially a subsidy component and/or job search assistance element. Training programmes should comprise at least a classroom component and a practical component. Combining training and subsidies with job search assistance is also effective.

Second, the **interaction with labour market institutions** needs to be taken into account, i.e. the country context is important. The evidence shows that restrictive labour market settings create entry barriers into the labour market. Examples of features of restrictive labour markets include high minimum wages and employment protection legislation. Faced with such contextual factors, even an effective ALMP may not be sufficient for an unemployed worker to cross that entry barrier into the labour market. This problem is even more pronounced for young people, i.e. restrictive labour markets affect them more adversely. Hence, labour markets need to be 'youth-friendly', allowing access to jobs for young people with little work experience.

Third, the findings on the effectiveness of youth-oriented ALMPs point to the **importance of human capital-based interventions**. This result has two dimensions, a more specific one and a more general one. Regarding ALMP design specifically, the evidence shows that the portfolio of active programmes should focus on skills training: whereas short-run impacts are sometimes small (often due to lock-in effects), medium- to long-run impacts are positive and often large. This is entirely in line with human capital theory and is particularly important for young people. Because they are young, the payback period for the return on skills investments is longer, and the investment is thus much more likely to be cost-effective. Moreover, the simple theoretical framework presented in this study also shows that training programmes are least likely to be affected by displacement effects.

At the same time, the general dimension of ALMP results regarding human capital interventions point to **early intervention**. Broadly speaking, therefore, policy makers should invest in education systems rather than ALMP portfolios. For instance, it is very difficult to effectively assist a 25-year-old long-term unemployed person without secondary education using active labour market programmes. Hence, the policy objective is to avoid this young person reaching this stage in the first place. The first (and best) labour market policy is an educational policy that ensures that as many young people as possible are offered access to education and complete a full educational cycle with at least a secondary level qualification. In line with such a policy focus, the **school-to-work transition** – through tertiary degrees or vocational training programmes that combine classroom and workplace training (such as the German 'dual system') – should be emphasised.

Fourth, a general caveat needs to be mentioned regarding **realistic expectations as to what ALMPs can achieve**. The international evidence indicates that substantial funding is probably needed for programmes to make them effective for young people, especially those who are most disadvantaged. This is the case at least in OECD countries. The evidence for low-to-middle income countries shows that large positive impacts can be attained with relatively little costs, especially for the more vulnerable youth populations. In this case, however, the evidence mostly comes from evaluations of pilot programmes. It is not clear to what extent these findings extend to cases in which programmes were scaled up into public policy.

Fifth, in order to implement effective ALMPs, the **public employment service (PES)** needs sufficient capacity. This concerns the scale and coverage of the PES, its administrative organisation and the skills of PES staff.

Finally, **more systematic efforts to monitor and evaluate** are required. International experience shows that ETF partner countries have an enormous opportunity to build systematic evaluations into a process of evidence-based policy making when setting up their employment policies and ALMP

portfolio. Best-practice examples of public policy evaluations exist. One such example is the study on the effectiveness of vocational training programmes in Turkey. Alternatively (or additionally), piloting programmes first and evaluating them, perhaps experimenting with various designs, would be an efficient procedure when budgets are tight.

These processes can be guided and supported by the ETF. As this study has shown, the ETF can bring many international lessons into the dialogue about youth-oriented ALMPs with governments and stakeholders in the partner countries.

A number of key policy lessons can be drawn from this study:

- Labour market regulations need to be designed in a ‘youth-friendly’ way.
- Implementing a good education system is a key labour market policy, i.e. essentially the first and best or ‘prime’ active labour market policy.
- ALMPs can be a remedy for weak education systems, but only to some extent.
- Human capital-based, multi-component interventions should receive most attention in an ALMP portfolio.
- Wage subsidy schemes run the risk of generating large displacement effects.
- Public employment programmes probably do not increase net employment and should only be seen as a safety net type of policy.
- Sufficient funding is needed for effective ALMPs.
- The public employment service needs sufficient capacity in terms of skills, staff numbers and regional coverage.
- Many ETF partner countries have a huge opportunity as they are still at the stage where they are designing their labour market policies and can ensure that these policies are connected with monitoring and evaluation efforts from the very beginning.

The ETF could play an important role in presenting these key policy lessons to governments and facilitating the corresponding dialogue between stakeholders – labour, social and education ministries, the public employment service, employers, public and private training providers. Part of this process would involve providing advice and support in combining programme design with (pilot) evaluations. The few existing examples of such evaluations in ETF partner countries show that this is possible. By collecting such evidence as it is produced, the matrix outlined in Tables A1 to A4 can serve as a blueprint for a continuous systematic assessment of (youth-oriented) ALMP effectiveness in ETF partner countries. Ultimately, this will increase and deepen our understanding of which programmes work.

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## List of acronyms

ALMPs	Active Labour Market Policies/Programmes
ETF	European Training Foundation
EU	European Union
EU DG EMPL	EU Directorate-General for Employment, Social Affairs and Equal Opportunities
EU DG ECFIN	EU Directorate General for Economic and Financial Affairs
GDP	Gross Domestic Product
ILO	International Labour Organization
NEET	Persons Not in Employment, Education or Training
OECD	Organisation for Economic Co-operation and Development
PES	Public Employment Service
US	United States of America

## Glossary

### **Active labour market policies/programmes (ALMPs)**

ALMPs are labour market interventions aimed at actively increasing jobseekers' employment probability. Target groups include (registered) unemployed people, those at risk of involuntary job loss, and inactive persons who would like to (re-) enter the labour market. ALMPs are also seen as levers that can help the labour market to function correctly and return equilibrium to the market. ALMPs are typically classified into four categories: (i) job search assistance services, including career guidance and counselling; (ii) (labour market) training; (iii) private sector employment incentives (e.g. wage subsidies; entrepreneurial/start-up support); and (iv) public sector employment.

### **Direct effects (of ALMPs)**

Intended effects of ALMPs, such as increasing the probability that programme participants will find a job and/or increase their earnings and productivity after participation.

### **Employability**

Individuals' potential propensity to find and keep a job. It also characterises jobseekers' or inactive persons' distance to the labour market as a composite expression of technical, cognitive and non-cognitive skills possession.

### **Impact evaluation (of ALMPs)**

An impact evaluation assesses the effectiveness of an ALMP against its stated outcomes (e.g. raising employment or earnings). The causal effect of the programme is defined as the difference in the outcome between individuals who participated in a programme (the treatment group) and the result that they would have realised without participating (the so-called counterfactual). Empirically, the counterfactual is measured using a similar group of persons who did not participate (the control group). The measure of programme success is typically assessed within the first 12 months after participation (short-term effect), 12-24 months (medium-term effect) and  $\geq 24$  months (long-term effect).

### **Indirect effects (of ALMPs)**

Also called general equilibrium effects, indirect effects take into consideration the effects that programmes may have on non-treated entities: displacement effects (jobs created by one programme at the expense of other jobs); deadweight effects (the programme subsidises hirings that would also have occurred in the absence of the programme) and substitution effects (jobs created for a certain category of workers replace jobs for other categories because relative wage costs have changed).

### **NEETs**

**(Young) People neither in employment nor in education and training (NEET)** corresponds to the population (typically) aged 15 to 34 who is not employed and not involved in further education or training. It provides more comprehensive evidence on those at risk of labour market disengagement, lack of learning opportunities and, generally, exposed to social exclusion.

### **Passive labour market policies**

Passive labour market policies are interventions aimed at compensating individuals for wage/salary loss. Also called out-of-work income support, they typically cover unemployment benefits, and other types of passive financial support (e.g. early retirement income support) and are set up within an administrative system of unemployment insurance. Recently, the interaction between passive and

active labour market policies has received much attention in policy design within so-called 'activation strategies' (e.g. 'mutual obligations' regime – benefit sanctions applied in the event of non-compliance with job search requirements or the obligation to participate in ALMPs).

### **Unemployed (including youth unemployed)**

According to ILO statistical standards, unemployed persons are persons aged 15 to 74 who were without work during the reference period, but who are currently available for work and were either actively seeking work or had already found a job to start within the next three months. In the case of youth unemployed, the typical age range is 15 to 24 years of age (or 16 to 24, depending on countries' labour legislation).





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