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Summary

Active labor market programs (ALMPs) are used to reduce the risk of unemployment and to increase the earnings capacity of workers. Particular interventions include employment services, training, public works, wage and employment subsidies, and self-employment assistance. These programs are implemented to enhance labor supply (e.g., training); increase labor demand (e.g., public works, subsidies); and improve the functioning of the labor market (e.g., employment services). ALMPs are often targeted to the long-term unemployed, workers in poor families, and particular groups with labor market disadvantages. These programs have important social, as well as economic, objectives.

OECD countries, in particular, have a long and extensive experience with ALMPs. These programs are becoming more relevant in developing and transition countries, too, as many governments grapple with growing unemployment and underemployment problems.

How much reliance should countries place on active labor market programs? This is a controversial question. Proponents argue that they are the most direct instrument for dealing with unemployment and poverty among workers. Opponents counter that ALMPs are largely a waste of public funds and that any observed benefits for participants are usually at the expense of other workers. It is important then, to rigorously evaluate the impacts of these programs and their cost-effectiveness.

Earlier reviews of impact evaluations by the World Bank, the OECD, and others have concluded that policy-makers must be cautious regarding what ALMPs can realistically achieve. The evidence suggested that these programs were not a panacea for unemployment but some types of interventions, properly designed, could be effective for some workers. It should be noted that these reviews were based almost exclusively on the experience of industrialized countries because very few evaluations existed anywhere else.

In this paper, we build on the 72 scientific (i.e., control-group) evaluations considered in the previous World Bank study (Dar and Tzannatos, 1999) by adding 87 new studies. With this additional evidence, we can ask whether the original conclusions still hold. Moreover, with some evaluations now being carried out in transition and, to a lesser extent, developing countries, we can begin to ask whether the findings of impact evaluations in industrialized countries apply in these contexts as well.

This updated review does not change the overall findings from the 1999 study on the impacts of ALMPs in any fundamental way. A wide range of results can still be found with some programs demonstrating positive labor market effects for participants and others showing either no impact or even negative effects. Obviously, program design and the context in which the program operates matters a great deal.

While it is increasingly difficult to isolate impacts of particular types of programs because of a trend to integrated service provision, our review leads to the following general conclusions:

- *Employment services*. These services include counseling, placement assistance, job matching, labor exchanges, and other related services. They generally have positive impacts on the post-program employment and earnings of participants. Costs are relatively low so the cost-benefit ratio is often favorable. However, employment services – at least by themselves – are of limited use in situations where structural unemployment is high and there is a lack of demand for labor. There are some questions about the coverage and effectiveness of these services in developing countries where many labor market transactions are informal.
- *Training for the unemployed*. Participants often benefit from these programs in terms of higher employment rates but not in terms of higher earnings. The few evaluations in developing countries paint a less favorable picture. Programs seem to work best with on-the-job training and active employer involvement. Results are more positive for women than men.
- *Retraining for workers in mass layoffs*. These programs most often have no positive impacts, although there are exceptions. The few successful cases typically include a comprehensive package of employment services to accompany the retraining. However, these are generally expensive.
- *Training for youth*. These programs are almost always unsuccessful in improving labor market outcomes, at least in developed countries. It makes much more sense to invest earlier in the education system to reduce drop-outs and other schooling problems. While there are few studies in developing countries, evaluations in Latin America do find positive impacts for programs that integrate training with remedial education, job search assistance, and social services.
- *Wage/employment subsidies*. Most often these do not have a positive impact and have substantial deadweight and substitution costs. Targeting and monitoring may help but at the cost of reducing take-up rates.
- *Public works*. This can be an effective short-term safety net but public works do not improve future labor market prospects for participants.
- *Micro-enterprise development/self-employment assistance.* There is some evidence of positive impacts for older and better-educated workers. However, take-up is low.

What can we say about the impacts of ALMPs in developing and transition countries in particular? Many findings from industrialized countries do seem to apply broadly to transition countries but – on the basis of what is still a small sample of studies -- this is not always true in the case of developing countries. The much larger informal labor markets and weaker capacity to implement programs may limit what some programs can achieve in terms of creating formal employment or increasing wages. The few evaluations in these countries for employment services and training programs for the unemployed are less positive than the (much larger) body of evidence in the OECD and transition countries. On the other hand, some youth training programs in developing countries have much more positive impacts than are seen in industrialized countries. It may be that such programs in these low-income labor markets have more potential because abundant supplies of skilled workers are not available. The sample of evaluations outside the OECD is still limited, especially in low-income developing countries, and further studies will be needed to confirm these initial observations.

At any rate, the ingredients for successful interventions seem to apply for all countries. Comprehensive packages of services, programs that are oriented to labor demand and linked to real workplaces, and careful targeting are good design features. Finally, the evaluations underline the fact that program impacts are usually more positive when the economy is growing.

While our knowledge on the impacts of ALMPs continues to grow, there is still much more to learn, especially in the context of developing and transition countries. Evaluations rarely track post-program outcomes beyond a couple of years so little evidence exists on longer-term impacts. Many studies do not estimate the deadweight, substitution, and displacement effects and thus cannot account for the general equilibrium impacts of programs. Many do not fully consider program costs and, as a consequence, cannot inform on the key policy issue of efficiency. Finally, the evaluation literature provides insights into what works but far less on why. Ultimately, policy-makers need to understand what circumstances and design features explain effective outcomes for specific groups.

Despite the mixed evaluation picture, governments have little choice but to use active programming as one instrument in their response to the economic and social problems associated with unemployment and poverty in the labor force. They should be realistic about what ALMPs can achieve and allocate resources on the basis of cost-effectiveness. The challenge, then, is to learn from existing experiences, investing in programs that have positive returns and altering or dropping programs that do not. If ALMPs are going to be an economically useful policy, it is very important that governments carefully evaluate their own programs and introduce interventions on the basis of what works domestically and in other countries.

Impacts of Active Labor Market Programs: New Evidence from Evaluations with Particular Attention to Developing and Transition Countries

Gordon Betcherman, Karina Olivas and Amit Dar[1]

1. INTRODUCTION

In this paper, we provide an overview of the recent international experience with active labor market programs (ALMPs). Basing our evidence on the growing body of program evaluations, we focus on the impacts of ALMPs on the subsequent employment and earnings of participants. This paper provides an update to earlier assessments (e.g., Fay, 1996; Dar and Tzannatos, 1999; Martin, 2000; Martin and Grubb, 2001) by incorporating the results of the more recent program evaluations. It also extends these previous reviews by explicitly considering the impacts of ALMPs in developing and transition countries. While most rigorous program evaluations continue to be undertaken in industrialized countries, for the first time we now have a significant number of evaluations from transition and, to a lesser extent, developing countries.

Active labor market programs, as defined in this review, include employment services, training and retraining, public works, wage and employment subsidies, and self-employment assistance. These programs are implemented to enhance labor supply (e.g., training); increase labor demand (e.g., public works, subsidies); and improve the functioning of the labor market (e.g., employment services). Their objective is primarily economic – most often, to increase the probability that the unemployed will find jobs or that the underemployed will increase their productivity and earnings. It is the economic aspect that provides the focus for most evaluations and, indeed, for this review. However, while not explicitly addressed in the evaluations reviewed in this paper, the social and political dimensions of ALMPs should also be recognized. These programs can contribute to social inclusion and cohesion by increasing productive employment. They also can have political

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benefits by visibly demonstrating that governments are responding actively to labor market problems, such as unemployment or poverty in the workforce.

OECD countries, in particular, have a long and extensive experience with ALMPs. These programs are becoming more relevant in developing and transition countries, too, as many governments grapple with growing unemployment and underemployment. Past reviews of evaluation studies, however, have raised questions about the real impacts and efficiency of these programs. The previous assessment of evaluation results by the World Bank concluded that "… payoffs are usually modest and cost-benefit analysis suggests that social rates of return to effective programs are also sometimes negative." (Dar and Tzannatos, 1999). An OECD review drew a similar conclusion: "[t]he track record of many active measures is mixed in terms of raising future employment and earnings prospects of job seekers and producing benefits to society." (Martin, 2000). The findings of these reviews imply that ALMPs are not a panacea for large-scale unemployment and that expectations must be realistic. They also point to the importance of learning from past evidence on what works in terms of design, targeting, and implementation.

With new impact evaluations coming out every year, it is important to reassess the conclusions drawn from the earlier reviews which covered studies up to the mid-to-late 1990s. In this paper, we build on the 72 scientific evaluations considered in the previous World Bank study (Dar and Tzannatos, 1999) by adding 87 new studies.[2] With this additional evidence, we can ask whether the original conclusions still hold. We can also now begin to address the question of whether the findings of impact evaluations in OECD countries also hold for developing and transition countries. The original study was essentially limited to the developed-country experience because 90% of the available studies at that time were from these countries. However, 39 of the 87 new evaluations investigate the impacts of programs in developing and transition countries.

The extended sample of evaluations does not change the findings from the 1999 study on the impacts of ALMPs in any fundamental way. A wide range of results can still be found with some programs demonstrating positive labor market effects for participants and others

[2] Of the evaluations included in the original review, we have included only those that used a control-group methodology. This was also the criterion for including new evaluations.

showing either no impact or even negative effects. The most effective type of intervention continues to be employment services which, according to most evaluations, can improve future employment and earnings prospects in a cost-effective manner. However, employment services – at least by themselves – are of limited use in situations where structural unemployment is high and there is a lack of demand for labor. The picture on training and retraining is mixed: a somewhat positive assessment emerges for programs targeted to the long-term unemployed but less so for retraining in mass layoff cases and training for unemployed or disadvantaged youth. Most evaluations of wage and employment subsidies and public works demonstrate no positive impacts for participants in terms of post-program employment or earnings. The few evaluations that look at micro-enterprise development/self-employment assistance offer a mixed picture of whether these programs help future earnings.

It appears that these patterns apply broadly across developed, transition, and (with far less confidence) developing countries. There are a few variations – for example, training programs for youth seem to have a more positive impact in developing countries and public works evaluations are more favorable in transition countries than in developed countries. However, these observations are very tentative given that the inventory of evaluations outside the OECD remains quite small.

While our knowledge on the impacts of ALMPs continues to grow, there is still much more to learn, especially in the context of developing and transition countries. Evaluations usually do not track post-program outcomes beyond a couple of years so little evidence exists on longer-term impacts. Many studies do not estimate the deadweight, substitution, and displacement effects and thus cannot account for the general equilibrium impacts of programs. Many do not fully consider program costs and, as a consequence, cannot inform on the key policy issue of efficiency. Finally, the evaluation literature provides insights into what works but far less on why. Ultimately, policy-makers need to understand what circumstances and design features explain effective outcomes for specific groups. This clearly needs to be a focus of future research.

The next section provides background on active labor market programs. Section 3 covers key elements of evaluation methodology. In section 4, we turn to the evaluations themselves, reviewing the body of studies that is now available. Finally, conclusions are drawn in section 5.

2. AN OVERVIEW OF ACTIVE LABOR MARKET PROGRAMS

In this section, we present an overview of active labor market programs including a brief description, objectives, and recent trends including spending on ALMPs.

2.1 What are Active Labor Market Programs?

The following types of programs are considered as ALMPs:

- *Employment Services.* These services fulfill brokerage functions, matching available jobs with job seekers. This assistance comprises many different types of activities including initial interviews at employment offices, in-depth counseling during an unemployment spell, job clubs, labor exchanges, etc. Traditionally, employment services were provided exclusively by public agencies but now, in many countries, public and private services coexist, usually serving different clientele. Often, public employment services target the disadvantaged and the long-term unemployed while private agencies focus more on the employed, skilled, and white-collar workers. These services are relatively inexpensive compared to other ALMPs and they can help in shortening unemployment spells. On the negative side, these interventions can have "deadweight losses" – i.e., individuals who find jobs through these services are often more qualified than most job-seekers and many perhaps could have found jobs in the absence of these services.

- *Labor Market Training.* This includes training that is publicly-supported, usually through either direct provision (e.g., through public training institutes) or financial support (e.g., funding training costs and/or subsidizing trainees). In many countries, governments are focusing on addressing market failures in information and financing, while leaving more of the delivery to private providers. Training programs can be concerned with developing basic job readiness or have specific vocational skill content.

They may be comprehensive in terms of their coverage or target specific groups such as the long term-unemployed, workers displaced in mass layoffs, or young people, often with special attention to school drop-outs. While training programs can lead to increases in productivity and employability, they can be costly and of limited use when job opportunities for trained workers are scarce.

- *Job Creation.* These programs are intended to support the creation of new jobs or the maintenance of existing ones. Three types of programs fall under this category.

(1) Wage/employment subsidies. These are subsidies to encourage employers to hire new workers or to keep employees who might otherwise have been laid off for business reasons. They usually take the form of direct wage subsidies (directed to either the employer or worker) or social security payment offsets. These programs typically are targeted to the long-term unemployed, areas/sectors with high unemployment, and special groups of workers (e.g., youth). While these programs serve a social objective, design is critical in order for subsidies to create jobs in a cost-effective manner. They are often associated with deadweight losses. They also can have unintended effects such as subsidized workers replacing unsubsidized ones ("substitution" effect) or employers hiring subsidized workers and laying them off once the subsidy period ends.

(2) Public works. These programs -- known by a range of terms including temporary community projects, labor-intensive projects, and workfare -- involve direct job creation through public works or other activities that produce public goods or services. They can alleviate unemployment or short-term poverty by creating temporary jobs and can help disadvantaged, poor, and long-term unemployed workers to regain contact with the labor market. Governments can manage these projects directly or contract with non-profit organizations or private businesses. On the positive side, these programs can lead to the production of public goods/services and develop basic physical or social infrastructure; indeed, in many cases, this, rather than job creation, is the main objective. These programs can also be effective short-term safety nets. On the negative side, it is often observed that the long-term labor market

impact of these programs is often insignificant, and, in some countries, there is a stigma attached to public works jobs which may decrease the employability of participants over the long run.

(3) Micro-enterprise development/self-employment assistance. These programs offer assistance to unemployed workers to start their own enterprises. This can involve providing financial and advisory support for start-up, "incubator" services, or supporting operating costs of small businesses. These programs have been offered both on a universal basis or to particular groups, such as the newly unemployed or the long-term unemployed. In some cases, financial contributions are made through an initial lump-sum payment and, in other cases, they involve periodic allowances. Often there is "screening" whereby potential beneficiaries undergo an assessment which evaluates their likelihood of success. Public programs to support small business loans can contribute to the removal of distortions arising from credit rationing. However, most unemployed are looking for jobs rather than entrepreneurial opportunities. These programs also risk placing small businesses that do not get assistance at a disadvantage relative to those that do.

While this list captures the main categories of ALMPs, interventions are often combined in individual programs.

2.2 Objectives of ALMPs

ALMPs include economic, social, and political objectives. The focus in this paper is on economic objectives and the evaluations included in our review are concerned with the labor market impacts. However, these programs almost always have social and political objectives that can be very important to the government that implements them. They signal concern with unemployment and workforce poverty and represent a tangible policy that directly is meant to address these problems. When targeted on specific groups such as youth or the disabled, they can demonstrate the government's priority on issues of equity and access for the vulnerable. ALMPs can also play an important part in reducing resistance to restructuring.

The principal economic objective of active labor market programs is to increase employment and incomes. This can be achieved in various ways. ALMPs can play a stabilization role in the sense of governments directly providing temporary jobs through public works or by shifting labor supply or demand curves outward by offering training or wage subsidies. Training, mobility incentives, and other employment services such as job search assistance can reduce structural imbalances by improving the match between workers and jobs. By decreasing the number of vacancies at a given level of unemployment, ALMPs can also increase employment by reducing both upward wage pressures and labor bottlenecks. Employment and income effects of active programs can also be transmitted through increases in skills and productivity. Even where net employment effects may not be significant for some active labor market programs, they can increase the attachment of the long-term unemployed to the labor force and decrease their dependence on unemployment benefits or other social assistance. By assisting the most disadvantaged workers, ALMPs can break down potentially negative consequences associated with "outsider" phenomena.

Active programs, then, can serve various objectives and policy-makers need to be clear about which are their priorities. The economic orientation of an ALMP strategy can be to moderate cyclical downturns, reduce structural imbalances or otherwise improve the functioning of the labor market, increase productivity, support disadvantaged or at-risk workers, support at-risk employers or industries, or some combination of the above. Each of these objectives calls for different types of ALMPs and different client populations. Table 1 provides an illustration of how policies might differ depending on objectives.

2.3 Trends in Active Labor Market Programs

Most empirical evidence on the level and composition of active labor market programs pertains to developed countries. More recently, there have been some data available for transition countries but virtually nothing systematic for developing countries.

Table 1: Tailoring Programs to Objectives

Objective	Program orientation	Targeting orientation
Moderate cyclical downturns	• Direct job creation (e.g., public works) • Wage subsidies • Training (subsidies or grants to workers or employers) • Self-employment support	• Vulnerable groups (with least resiliency) • Hard-hit regions and industries
Reduce structural imbalances	• Employment services (e.g., information, search assistance, mobility assistance) • Training • Wage subsidies	• Proximate regions, industries, or occupations
Improve general labor market functioning	• Employment services • Training (e.g., apprenticeship, school to work transition)	• All
Enhance skills and productivity	• Training and retraining (including in-service, apprenticeship)	• At risk or disadvantaged worker categories (especially for retraining)
Support disadvantaged or at-risk workers	• Employment services (counseling, job search assistance) • Training (e.g., grants, subsidies) • Wage subsidies	• At-risk or disadvantaged worker categories

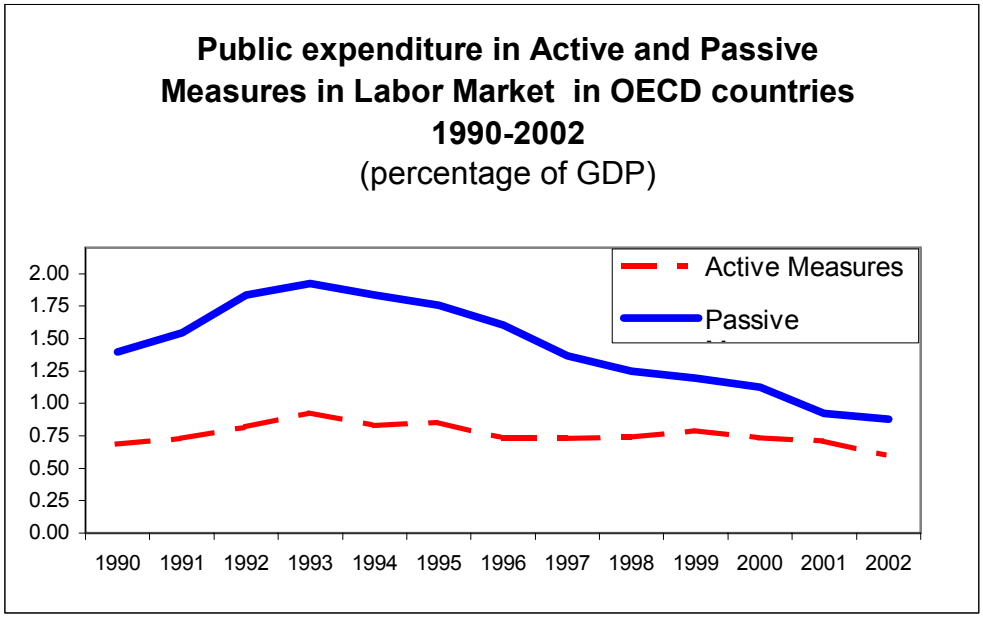
Source: Betcherman, Dar, Luinstra, and Ogawa (2000)

2.3.1 Industrialized Countries

The OECD has collected statistics on ALMP expenditures by member countries since the mid-1980s. These expenditures have also been compared with spending on passive programs (e.g., unemployment insurance, unemployment assistance, etc.) to assess trends in the balance between the two. Chart 1 presents relative spending on active and passive programs among OECD countries from 1990-2002. Throughout this period, average national expenditures on active programs have remained relatively constant at around 0.75% of GDP, peaking temporarily during the 1992-95 downturn at close to 1%. In comparison, spending on passive programs has been higher and has fluctuated more, with a significant rise during the early 1990s recession to nearly 2% of GDP.[3] In all OECD countries except Italy, Norway, Portugal, and Sweden, spending on active measures is less than spending on passive programs.

[3] In such periods, while spending on both active and passive programs increases, the rate of increase for the latter is generally much greater because spending on passive programs like UI is largely non-discretionary (i.e., plans have benefit obligations that have to be met).

Chart 1: Public Expenditures on Active and Passive Programs in OECD Countries, 1990-2002



Source: OECD (2003)

In terms of the overall composition of ALMP spending in OECD countries, training represented the largest category, 36% of total expenditures, in 2001-02 (Table 2). Public employment services and job subsidies accounted for 25% and 20%, respectively. Note that countries generally spend only a very small share on micro-enterprise development**.**

These aggregate trends on ALMP spending mask important differences across developed countries in terms of both level and composition of ALMP expenditures. As Table 2 indicates, some European countries (e.g., Netherlands, Denmark, France, Belgium, Germany, Sweden) spend well over 1% of GDP while the United States, Japan, Korea, and the United Kingdom spend under 0.4%. The table also illustrates considerable variation in how ALMP funds are allocated across program types. For example, many countries with small overall ALMP programs (e.g., Japan and English-speaking countries) tend to place relative emphasis on employment services. On the other hand, the share of national spending on training tends to be greatest in European countries with activist orientations (e.g., Denmark, France). Country spending on type of program as a percentage of GDP is shown in a series of charts in Annex 1.

Table 2: Distribution of Expenditures on ALMPs in Industrialized OECD Countries, 2001-02

	Public Employment Service	Training	Job Subsidies	Micro-Enterprises	Others (incl. disabled)	Total as % of GDP
	% distribution					
Australia	44.4	20.0	17.8	4.4	13.4	0.45
Austria	26.4	43.4	17.0	3.8	9.4	0.53
Belgium	15.6	20.3	53.9	0.0	10.2	1.28
Canada	46.5	39.5	4.7	2.3	7.0	0.43
Denmark	7.6	60.8	10.8	0.0	20.8	1.58
Finland	11.9	46.5	29.7	3.0	8.9	1.01
France	13.8	51.5	26.9	0.0	7.8	1.30
Germany	19.2	35.0	14.2	4.2	27.4	1.20
Japan	60.7	10.7	25.0	0.0	3.6	0.28
Korea	17.9	35.7	37.7	3.6	5.1	0.28
Netherlands	14.9	29.3	21.8	0.0	55.6	1.74
New Zealand	24.1	51.9	9.3	5.6	9.1	0.54
Norway	15.1	7.0	1.2	0.0	76.7	0.86
Portugal	18.0	60.7	9.8	4.9	6.6	0.61
Spain	10.6	31.8	45.9	5.9	5.8	0.85
Sweden	27.0	22.0	12.1	2.8	36.1	1.41
Switzerland	22.2	25.9	18.5	1.9	31.5	0.54
United Kingdom	42.1	42.1	7.9	0.0	7.9	0.38
United States	26.7	46.7	6.6	0.0	20.0	0.15
Unweighted Average	**24.5**	**35.8**	**19.5**	**2.5**	**19.1**	**0.81**

Source: OECD (2003)

While overall spending on ALMPs in industrialized countries has been relatively constant, the strategy, design, and implementation of active policy has undergone some significant changes over the past decade. Specifics differ by country but in most industrialized countries, many of the following trends are evident:

- Increased emphasis on job search assistance. This assistance often has been linked with closer monitoring and tighter job search requirements for unemployment benefit recipients.
- Integrated services (one-stop window/guichet unique) so that clients can receive information, counseling, and access to services from a single source.
- An increasing reliance on private delivery of services (e.g., for training, employment services, and public works). Government's role in these situations has been to establish overall priorities, ensure quality, and provide financing, especially to address equity concerns.

- Closer partnership with employers and communities in order to ensure that programs respond to market conditions.
- "Making work pay" initiatives. These have used employment subsidies and tax benefits primarily to encourage low-skill workers to take low-pay jobs.
- "Profiling" of unemployed clients to identify those likely to need employment services or retraining. In some countries, program participation (based on profiling) is an obligatory condition to qualify for unemployment benefits.
- Increased emphasis on program evaluation and allocation of resources on the basis of evaluation results.

2.3.2 Transition and Developing Countries

As noted above, some evidence is now accumulating for the transition countries but this does not have the coverage over time nor the standardization available for the industrialized OECD countries. O'Leary, Nesperova, and Samorodov (2001) have assembled expenditure figures for 9 transition countries, based on 1998 data from national employment services. These figures form the basis for Table 3. While these percentages are not identical to the OECD database, they do appear to be generally comparable.[4] The data show that the transition countries rank toward the lower end of ALMP spending (as a share of GDP) when compared to industrialized countries. One group of countries (Czech Republic, Croatia, Ukraine, Estonia, and Russia) spends less than .15% of GDP, below all industrialized countries while the other (Slovakia, Poland, Hungary, and Bulgaria) spends between .34% and .54% of GDP, which is above the lowest-spending industrialized countries, but below the OECD average. In many transition countries, most active spending is allocated to the employment service. However, this is not true of all countries. For example, according to the 1998 figures, training accounts for over one-half of the expenditures in Estonia, while direct job creation (public works and subsidized employment) is the major intervention in Poland and Slovakia (O'Leary, Nesperova, and Samorodov, 2001). In terms of the balance between active and passive spending, the transition countries are very similar to industrialized ones.

[4] There are some transition countries also now included in the OECD database on which to base this comparison. The OECD's latest calculations for 2002 indicate that the Czech Republic spends 0.21% of GDP on ALMPs and Hungary spent 0.47%. The figures reported by O'Leary *et al.* (2001) for 1998 are 0.14% and 0.39%, respectively.

Active spending was 61% of passive spending for the nine countries in Table 3, while the corresponding figure for the OECD countries was 65%.

Table 3: Expenditures on Active and Passive Labor Market Programs in Selected Transition Countries, 1998

	Active Spending as % of GDP	Passive Spending as % of GDP	Total Spending as % of GDP
Bulgaria	0.12	0.46	0.8
Croatia	0.03	0.48	0.6
Czech	0.05	0.26	0.4
Estonia	0.07	0.10	0.2
Hungary	0.28	0.91	1.3
Poland	0.30	0.59	1.0
Russia	0.02	0.13	0.2
Slovakia	0.32	0.56	1.1
Ukraine	0.03	0.19	0.3
Unweighted average	**0.25**	**0.41**	**0.66**

Source: Based on O'Leary, Nesperova, and Samorodov (2001), Table 2.4

Systematic statistical overviews of ALMP activities in developing countries are not available. The evaluation studies that we have found, however, suggest that Latin American countries have been investing significantly in recent years in youth employment training and public works programs. A review of ALMPs in East Asia concluded that public works have been implemented fairly widely but other forms of active programs have not been used on any significant scale (Betcherman, Dar, Luinstra, and Ogawa, 2000). Little evidence is available for North Africa and the Middle East although a recent detailed review of Tunisia showed that self-employment assistance (largely through micro-financing) and youth training dominated the ALMP profile in that country (World Bank, 2003). In Africa, there is very little active programming on any significant scale.

3. EVALUATION METHODOLOGY: ISSUES AND KEY CONCEPTS

There are different types of program evaluations including *process evaluations* that focus on how well a program is delivered and *performance monitoring* which is concerned with timely indicators of how well program objectives are being achieved. These are very important tools for improving program effectiveness and can be carried out even in countries with low administrative and analytical capacity. However, the incremental value of a program and its cost effectiveness can only be calculated through *impact evaluations*. These

impact evaluations, when conducted rigorously, can identify the effects of a given program on participants, and when coupled with cost information, can reveal the net benefits of programs to participants, to government finances, and in some cases to the broader labor market and society. However, reliable impact evaluations require careful methodological design, good data, and, for some methods, sophisticated econometric techniques. Since there is an extensive literature on evaluation methodology, we only briefly cover some important aspects in this section.[5]

Generally, the central questions for ALMP impact evaluations are: (1) what are the impacts of program participation on the future labor market situation of participants? and, (2) What is the cost-effectiveness of programs? Unfortunately most evaluations focus on the first question only, with a very few adequately addressing the cost question. In most ALMP evaluations, the key impact indicators are post-program employment rates and earnings. However, some evaluations do look at other social indicators such as criminal rates, teenage pregnancy, government benefit recipiency, etc.

3.1 Methodological Approaches

Whatever the outcomes of interest, the real net impacts of a program cannot be answered by simply tracking the post-program experiences of participants. This approach will not reveal anything about what would have happened to these workers if they had not taken the program (i.e., the "counterfactual"). Since it is not possible to observe this counterfactual directly, a scientific evaluation must approximate what would have happened to workers had they not participated. This is done by constructing a control group of people who did not participate in the program but ideally are identical to participants in all other ways. The outcomes (e.g., employment, earnings) of the two groups are then compared at some point after the program has been completed in order to assess the impacts of the program. A control group is absolutely essential for a valid impact evaluation. Construction of the control group is usually the most important challenge in designing an impact

[5] See, for example, Heckman, LaLonde, and Smith (1999); Benus and Orr (2000); Grubb and Ryan (1999); O'Leary, Nesperova, and Samorodov (2001); and Kluve and Schmidt (2002). A practical summary is available in World Bank (2002a).

evaluation methodology. This challenge is complicated by the fact that some relevant characteristics of individuals may be difficult to observe (e.g., ambition, drive, etc.).

Techniques using control groups are of two types: experimental and quasi-experimental. Experimental evaluations require selection of treatment and control groups prior to the intervention. In quasi-experimental studies, treatment and control groups can be selected before, during, or after the intervention.

Experimental techniques. These are based on the principle that when individuals are randomly assigned to treatment and control groups, observable and unobservable characteristics of the two groups should not differ on average, and so any difference in outcomes can be attributed to program participation. It is generally agreed that properly conducted randomized experiments embody the best control-group properties for producing consistent and non-biased estimates of program impact. Furthermore, the results are simple to interpret -- the program impact is the difference in the means of the variable of interest between the sample of program participants and control group. For example, if the mean post-program employment rate for participants in a training program is 60% and the rate is 50% for non-participants, then the net program impact is 10%.

However, circumstances may dictate that a randomized experiment cannot be implemented properly or at all. Experiments can be costly, may be disruptive to the operation of the program, and can pose ethical questions about excluding people from the intervention. In addition there can be technical problems -- for example, assignment may not be truly random or there may be group "contamination" (e.g., control group members receiving alternative but similar services).

Quasi-experimental techniques. When experiments are not feasible or are not undertaken for some other reason, evaluators must construct a control group through non-experimental selection. This is typically done by drawing from a survey or administrative database that includes individuals with characteristics that fit the targets of the intervention. In order to get unbiased estimates of program impact, any differences in the characteristics of the control and treatment groups that might affect the outcome of interest must be accounted for using econometric techniques. This can be technically difficult for a variety of reasons including the likelihood that individuals may have unobservable characteristics that can

affect program outcomes or even participation. Many techniques, often highly sophisticated, have been developed to address the challenge of generating unbiased program impact estimates through quasi-experimental methods. These include matching techniques that mimic an experimental control group, and selection-corrected and difference-in-difference techniques that attempt to control for unobservable characteristics affecting program participation and outcomes.

The main attributes of quasi-experimental evaluations are that they can use existing data sources and can be relatively low cost, they can be undertaken in situations where experiments are problematic, and they can be done at any time after the program has begun. However, there are disadvantages. The most important is that, highly sophisticated methods notwithstanding, quasi-experimental evaluations do not always result in unbiased impact estimates.[6] Estimates are often highly sensitive to model specification. Box 2 provides an example of this point. Finally, the complex techniques that are usually required make it difficult for non-specialists (including policy-makers) to interpret results.

The attention paid to methodology in the literature should not obscure the importance of good data. Valid impact evaluations require both (Heckman *et al*., 1999). As Smith (2000) emphasizes, governments can do many things to improve the data available for evaluations including making data from both administrative and survey sources widely available (with appropriate privacy precautions) to the research community.

3.2 General Equilibrium Effects

A complete assessment of the impact of a program requires an analysis of the program's general equilibrium effects – i.e., overall effects on the labor market because of indirect effects on people who are not participants. Partial equilibrium evaluations that focus only on the direct impacts of programs on participants cannot capture these overall effects. For example, an evaluation may overstate the impact of a program if it has not taken into account the possibility that some employment gains might have occurred even without the program or that observed gains have been at the expense of non-participants. These are the

[6] The validity of this approach has received considerable questioning since LaLonde (1986) showed that non-experimental results differed significantly from results of a randomized experiment.

deadweight, substitution, and displacement effects described in Box 1. Another potential effect involves the labor market impacts of taxes required to fund a program.

Box 1: Some Commonly Used Terms in the Impact Evaluation Literature

Additionality: This is the net increase in jobs created. It is the total number of subsidized jobs less deadweight, substitution and displacement effects.
Deadweight Loss: Program outcomes are no different from what would have happened in the absence of the program. For example, wage subsidies place a worker in a firm that would have hired the worker in the absence of the subsidy.
Displacement Effect: This usually refers to displacement in the product market. A firm with subsidized workers increases output but displaces output among firms without subsidized workers.
Randomization Bias: This refers to bias in random-assignment experiments. In essence, this says that the behavior of individuals in an experiment will be different because of the experiment itself and not because of the goal of the experiment. Individuals in an experiment know that they are part of a treatment group and may act differently, as could individuals in the control group.
Selection Bias: Program outcomes are influenced by unobservables not controlled for in an evaluation process (e.g. individual ability). Such factors can arise as a by-product of the selection process into programs where individuals "most likely to succeed" are selected into the program.
Substitution Effect: A worker hired in a subsidized job is substituted for an unsubsidized worker who otherwise would have been hired. The net employment effect is thus zero.
Treatment and Control Group: Program beneficiaries are the "treatment" group. In a scientific evaluation, their outcomes are compared with a "control" group of non-participants.

Source: World Bank (2002a)

Box 2: Impact Estimates for Participation in Retraining Programs, Hungary

Quasi-experimental techniques were used to analyze the impact of training for 1992 graduates of Hungarian training institutions. Using different methodologies, significantly different estimates of the impact were computed.

Estimation methodology	Gain in employment probability (%)	Earnings gain ($/month)
Simple difference in means	19.2*	14.9*
Quasi-experimental techniques		
Matched pairs	1.2	20.5
Correcting for observables	6.3*	4.9
Correcting for observables and non-observables	32.0*	N/a

* indicates statistically significant estimate.

On trying different specifications, the evaluators concluded that the high estimates obtained using the correcting-for-unobservables technique were extremely sensitive to the empirical specification used. They felt that these estimates were unreliable and that the true employment impact of the program lay between the 1.2% and 6.3% generated by the matched-pairs and the correcting-for-observables techniques respectively.

Source: Based on World Bank (2002a)

Not all ALMPs are likely to have general equilibrium effects -- for example, small-scale interventions or those that have no partial equilibrium impacts. But even where general equilibrium effects are quite likely, evaluations often do not try to estimate them because of the technical and data difficulties involved (Kluve and Schmidt, 2002). As Heckman *et al*. (1999) and Smith (2000) point out, accounting for these effects can require general equilibrium models of the labor market and the value and feasibility of these models relative to the more traditional evaluation methods remain an open question.

3.3 Cost-Benefit Analysis

Most evaluations focus on whether a program improves the subsequent labor market situation of participants. If these impacts are not quantified monetarily and then related to costs, however, policy-makers do not have all of the necessary information to decide whether the program is justified on efficiency grounds. A program may be effective in the sense of creating benefits for participants (e.g., through employment or higher earnings) but may not be worthwhile from a social perspective if the benefits are less than the costs involved. Actually quantifying the costs of a program can be a complicated activity, involving gathering data from many sources including administrative databases. The major cost components in a typical ALMP evaluation will include the costs of administering the program, delivering the services, and the participants' opportunity costs. Cost-benefit analysis can be carried out from different perspectives including participants, government, and society as a whole. Unfortunately, most evaluations do not include rigorous cost-benefit analysis (Heckman *et al*., 1999).

4. EVALUATION RESULTS

We now turn to the latest evidence from program evaluations on the impacts of ALMPs. This review updates and extends the previous World Bank study (Dar and Tzannatos, 1999) in two main ways. First, it expands the sample of studies we can use to assess overall ALMP impacts. We have been able to find 87 new impact evaluation studies that we have added to the evaluations included in the earlier review. Second, we can consider, for the first time, evidence on ALMP impacts in transition countries and, to a lesser extent, in developing countries. While very few evaluations existed outside the OECD at the

time of the 1999 report, 39 of the new studies come from developing and transition countries. A larger body of evaluations will be needed to draw more definitive conclusions about the impacts of ALMPs in non-industrialized countries but, nonetheless, we now have a large enough sample to make some initial observations. The sample of evaluations included in our review is summarized in Table 4.

A critical question for our review concerns the quality of the evaluations. We have included only those evaluations that utilize a control group methodology. This filter applies both to the studies included from the 1999 report and to all new ones.[7] While a control-group methodology is necessary for ensuring valid impact evaluation results, it is admittedly not a sufficient condition. We have also not included studies that raised obvious concerns about methodology and/or analytical rigor. However, there is no doubt that the studies included in our analysis still vary in quality. Ideally, a careful review should be conducted of the methodology used for each study and the results weighted according to the rigor of the approach. Unfortunately, we could not undertake this intensive quality control. As a result, the studies in this review are included on the basis of a fundamental, but limited, quality screen.

The evidence is reviewed for seven ALMP categories: employment services, training for the unemployed, training for workers in mass layoffs, training for youth, wage and employment subsidies, public works, and micro-enterprise development/self-employment assistance. It should be noted that many interventions now include a menu of services so classifying programs can be problematic.[8] Moreover, training programs cannot always be easily classified into one of the three categories we have used.[9] For each type of intervention, we summarize the main conclusions drawn in the 1999 study; report on the findings of the new evaluations; assess the evidence pertaining to key program issues; and illustrate particular programs that may be of special interest, usually because of positive evaluation results. In terms of indicators, we focus on whether the post-program employment and

[7] Some evaluations reported in Dar and Tzannatos (1999) did use a control group methodology and these have been excluded from the present analysis.
[8] In multiple-intervention programs, if evaluation results can be identified for separate types of interventions, each is included as a program in the review.
[9] If the clear target is neither workers in mass layoffs or youth, programs have been placed in the general "training for the unemployed" category.

Table 4: Number of Evaluations by Type of Program, Country Group, and Period

	1999 Study			New Evaluations			Total		
	Developed	Developing and Transition	All	Developed	Developing and Transition	All	Developed	Developing and Transition	Total
Employment services	15	2	17	4	5	9	19	7	26
Training for unemployed	16	3	19	19	11	30	35	14	49
Training for Mass layoffs	6	0	6	1	2	3	7	2	9
Training for youth	7	0	7	7	5	12	14	5	19
Wage and employment subsidies	6	1	7	11	5	16	17	6	23
Public works	6	3	9	2	9	11	8	12	20
Micro-enterprise development and self-employment assistance	5	2	7	4	2	6	9	4	13
Total	**61**	**11**	**72**	**48**	**39**	**87**	**109**	**50**	**159**

earnings of participants differ significantly from those characterizing the control group members.[10] It should be noted that effects on both employment and earnings are not calculated in every evaluation. In particular, many studies consider employment impacts only. This is unfortunate in countries where unemployment benefits do not exist since impacts on earnings may be a more revealing indicator.

The 87 new evaluation studies are listed in Annex 2. For each study, we include the design of the program, evaluation methodology, and the results of the impact evaluation.[11]

4.1. EMPLOYMENT SERVICES

We examine evaluations for 26 programs that provide employment services for job-seekers. These programs comprise different types of services including job clubs (search techniques, support), counseling, testing and assessment, brokerage services, etc. All are designed to prepare job-seekers for employment and to improve the information on job opportunities. Of the 26 programs (17 from the 1999 study plus nine new ones), seven are from developing/transition countries. All new evaluations except one are quasi-experimental.

4.1.1 Assessment of Results

The 1999 study was heavily based on the experience of industrialized countries. It drew favorable conclusions regarding employment services relative to other active labor market interventions. Generally, these services were seen to be relatively inexpensive yet demonstrated impacts that were no less effective than alternative programs. A similar assessment was drawn by the OECD (Martin and Grubb, 2001). According to Dar and Tzannatos (1999), effectiveness of employment services depended largely on whether the economy was growing or in a recession and on the availability of public funds. Programs that did not yield positive results were generally in areas with rising unemployment rates, while economic conditions have been usually favorable where programs have succeeded. The 1999 review also concluded that impacts varied with the target group; in particular, they did not

[10] In the case of micro-enterprise development/self-employment assistance, the impact indicators are survival rate of the business and earnings.

[11] Details on the programs and results from the first wave of evaluations can be found in Appendices 5.1-5.7 of Dar and Tzannatos (1999).

seem to improve the employment prospects or wages of youth significantly while some studies indicated a positive effect for women.

Table 5 provides a summary of our latest findings on employment services, after adding the nine new evaluations to the 17 taken in the original review. In this table, and similar tables for the other interventions included in this review, we categorize the "bottom line" of the evaluations in terms of whether estimated impacts on employment and earnings were positive or not. As the table indicates, the overall impact of employment services on the subsequent labor market position of participants – relative to control group members – tends to be favorable. Of the 21 programs where we could determine an employment effect, 16 were positive and 11 of the 16 with clear earnings effects were positive, as well.

When we look at non-industrialized countries, the limited evidence suggests that the overall positive results apply, at least to transition countries where most of the evidence exists. Six of the seven conclude that the employment effect is positive. The evidence on earnings impacts is less clear, with only four evaluations on which to base conclusions. As we will see below, however, the new evaluations in developing countries do raise some questions about the impacts of these programs, including who benefits.

Table 5: Summary of Evaluation Results for Job Search Assistance/Employment Services

	No. of Evaluations			**Impact on Employment (*) (Number -- all studies)**			**Impact on Earnings (Number -- all studies)**		
	1999 study	New	Total	Positive	Non-positive (**)	Not clear	Positive	Non-positive (**)	Not clear
Developed countries	15	4	19	10	4	1	9	3	1
Transition countries	2	3	5	5	-	-	2	1	-
Developing countries	-	2	2	1	1	-	-	1	-
All studies	17	9	26	16	5	1	11	5	1

(*) Predominant effect either in the short or long term, depending on the study methodology. Totals on employment and earnings impact do not add up to sample total because some studies did not consider both types of impact.
(**) Not statistically significant, no effect, or negative results.

4.1.2 New Evaluations

The nine new studies include four from industrialized countries, three from transition countries, and two from developing countries. An evaluation of Great Britain's "New Deal

for the Young Unemployed" shows important positive results. This program provides mandatory job search assistance and other services to 18-24 years olds with six months of unemployment (see Box 3 for details). The evaluations of the initial phase show that young unemployed men are about 20% more likely to find a job after the program (Van Reenen, 2003) and that the job search assistance component is responsible for some of this effect. The cost-benefit assessments are positive. Evaluations (one experimental, one quasi-experimental) from the United States show that employment service programs tended to have positive impacts on the speed of re-employment, on earnings, and on the reduction of unemployment benefits; however, impacts across states on post-program employment and earnings were uneven (Decker *et. al*., 2000; Jacobson and Petta, 2000).

Box 3: Britain's New Deal for the Young Unemployed

The New Deal for the Young Unemployed aims to help young people (between 18 and 24 years) who have been unemployed and claiming jobseeker's allowance for six months or more, to find work and to improve their longer-term employability. The program, introduced in 1998, combines initial job search assistance followed by various subsidized options including wage subsidies to employers, temporary government jobs, and full-time education and training.

Participation in the program is mandatory and individuals who refuse to participate risk losing their entitlement to benefits. The path of a participant through the New Deal is composed of three main steps. On assignment to the program, the individual starts the first stage of the treatment called the "Gateway". This lasts for up to four months and is composed of intensive job-search assistance and short basic skills courses. Each individual is assigned a "personal advisor", a mentor who they meet at least once every two weeks to encourage and enforce job search.

The second stage is composed of four possible options. There is the employer option –a six-month spell on in subsidized employment. Second, an individual can enroll in a stipulated full-time education or training course and receive an equivalent amount to the job seeker's allowance for up to twelve months. Third, individuals can work in the voluntary sector for up to six months. Finally, they may take a job on the Environmental Task Force (essentially government jobs) and be paid a wage or allowance at least equal to the job seeker's allowance.

Once this option period is over, individuals who have not managed to find a job or leave the job seeker's allowance pool for some other reason enter the "Follow through", which is third stage of the program. This is a process similar to the Gateway, taking up to 13 weeks, where job-search assistance is the main treatment provided.

Recent evaluations of the program show that young unemployed men are about 20% more likely per period to gain jobs as a result of the New Deal. Part of this effect is due to subsidized jobs, and part (at least one-fifth) a pure "Gateway" effect. Evaluations also show that the job search assistance element of the New Deal is more cost effective than the other ALMP options as there is no subsidy involved. Unfortunately, results for women are not so clear because of sample size limitations.

Source: Van Reenen (2003) and Blundell *et al*. (2001).

The new transition-country evaluations come from the Czech Republic, Macedonia, and Romania. In both the Czech Republic and Romania, employment services had positive impacts on reducing unemployment duration, including for groups that tend to have longer unemployment spells (Terrell and Storm, 1999; Benus and Rodriguez-Planas, 2002). However, new evaluations from two Latin American countries raise some questions about the impact of job search assistance in developing countries. A study from Brazil shows that the use of the public employment service does not increase the probability of finding formal work (although it does have a weak positive impact on moving into informal jobs). It highlights the fact that, where there are large informal sectors, workers often prefer other channels of job search. This evaluation illustrates the limited reach that public employment services may have in many developing countries (Woltermann, 2002). Other studies based on Uruguay's experience show that the impact of labor market information services on youth employment prospects is linked to their education, with better educated young workers showing the greatest gains from these programs (Fawcett, 2001).

4.1.3 Summary

Recent evaluations confirm the previous fairly positive results, especially in developed and transition countries. Employment services costs are relatively low and program results are often positive. The recent evaluations confirm that these programs have more positive impacts under favorable economic conditions. Again, it should be understood that job search assistance and related employment services are unlikely to have much effect where labor demand is weak unless they are combined with other types of interventions. Earlier evaluations indicated that some types of workers benefited more than others. The more recent studies offer no new evidence that employment services favor women more than men. On the other hand, the evaluations in Uruguay suggest that these services tend to be more effective for the most educated workers. A major question in the area concerns the relative effectiveness of public vs. private delivery of employment services.

Finally, more research is needed to assess the success of job search assistance in developing countries where informal sectors are large and hiring typically takes place through informal channels. This informality, plus the relative weakness of public institutions, may affect the performance of job search assistance programs in these countries.

4.2 Labor Market Training for the Unemployed

We examined 49 evaluations of training programs primarily aimed at the unemployed, and often specifically targeted at the long-term unemployed.[12] These programs are quite diverse but most have the objective of skills development through classroom and/or on-the-job training, which can include gaining work experience. Some courses are not vocational in nature but are aimed at building self-confidence, basic job readiness, and enhancing knowledge of the job market. The length of training courses for the unemployed included in our review varies considerably, from 6 weeks to 24 months. Of the 49 evaluations (19 from the 1999 study plus 30 new ones), 35 are from industrialized countries with 10 from transition countries and four from developing countries. Eleven of the 14 evaluations from developing/transition countries are new. The dominant methodological design for the training evaluations is quasi-experimental, with most applying matching techniques to analyze employment-related outcomes.

4.2.1 Assessment of Results

The 1999 review concluded that training programs, especially for the long-term unemployed, often did not have positive impacts and, in most cases the costs were found to be high compared to the benefits of the program. Results seemed to be dependent on the business cycle, with programs performing better when they were instituted during periods of economic expansion. The evaluations reviewed at that time also showed that the interventions with the most positive returns were smaller-scale, on-the-job-training programs that directly met labor market needs and were well targeted, especially for women and other disadvantaged groups among the long-term unemployed. These conclusions were heavily based on industrialized-country experience and were very similar to those drawn by the OECD (Martin and Grubb, 2001). The OECD study noted that most programs that demonstrated gains for participants did so through improved employment opportunities rather than through higher hourly wages.

Table 6 summarizes our latest findings on training for the unemployed, based on 19 studies drawn from the 1999 study and 30 new ones. On an aggregate basis, the table

[12] The definition of long-term unemployed differs by country. However, most use either a six- or twelve-month threshold.

suggests that these programs often do have a positive impact on the future employment of participants – this was the case in 28 of the 39 studies where an effect could be determined. The impact on future earnings was much less favorable with only 15 of 29 studies where a clear effect could be determined showing a positive result. As we note below, few studies included cost-benefit analyses.

As Table 6 shows, the effects of training programs for the unemployed seem to be most positive for developed and transition countries. In the case of transition countries, all programs had positive employment impacts although in three of the five programs where earnings effects could be determined, they were neutral or negative. Of the four developing country evaluations, only one showed any gains in terms of employment or earnings.

Table 6: Summary of Evaluation Results for Training Programs for the Unemployed

	No. of evaluations			**Impact on employment (*) (Number -- all studies)**			**Impact on earnings (Number -- all studies)**		
	1999 study	New	Total	Positive	Non-positive (**)	Not clear	Positive	Non-positive (**)	Not clear
Developed countries	16	19	35	17	8	-	12	8	-
Transition countries	3	7	10	10	-	-	2	3	-
Developing countries	-	4	4	1	3	-	1	3	-
All studies	19	30	49	28	11	-	15	14	-

(*) Predominant effect either in the short or long term, depending on the study methodology. Totals on employment and earnings impact do not add up to sample total because some studies did not consider both types of impact.
(**) Not statistically significant, no effect, or negative results.

4.2.2 New Evaluations

According to the new evaluation studies, labor market outcomes are significantly affected by the type of training. On-the-job training programs show favorable effects for many industrialized countries (Australia, Belgium, Great Britain, and Sweden), while programs only with classroom training tended not to have positive effects on employment and earnings in many cases (Australia, Belgium, Germany, and Switzerland).

The effects on employment probabilities also differ in terms of the training content. For instance, in European countries, training programs directed to foreign workers to learn the native language show large and significant positive effects. In Switzerland, while the general training and computer courses actually had a significant negative effect, German language courses had a very large significantly positive impact (Prey, 2001). Further

evaluation evidence shows that specialized training courses and training structured to lead to formal qualifications have can have large positive impacts. A good example of this is the National Plan of Training and Reemployment in Spain that provides specific skills training in agriculture, industry, management, etc. This program has shown positive effects, reducing the probability of remaining unemployed (Arellano, 2002). Another point emerging from the recent evaluations is the significantly better performance of training programs with employer sponsorship and taking place in enterprises (Hui and Smith, 2002). Unfortunately, most studies do not include information about the costs of training programs or any cost-benefit analysis. When costs are known, they seem to be higher than the benefits or higher than other alternative ALMPs.

The effects of training programs on employment for transition economies are always positive. This is consistent with earlier evaluations in transition countries that showed moderate but positive impacts (Fretwell *et al*., 1999). Evaluations in Bulgaria, Poland, and Slovakia all conclude that there is a significantly positive short-run effect from training on the probability of leaving unemployment for both men and women; however, when medium- and long-term effects are analyzed, only women shows positive effects (Poland and Slovakia). In Romania and Macedonia, evaluations concluded that impacts on both employment and earnings were positive. Training programs in transition countries also seem to be more cost-effective. Further research is needed to confirm this apparent success in transition economies and to understand possible explanations.

As noted above, the results from the few evaluations conducted in developing countries are less promising. Although the characteristics of training programs differ widely, evaluations from Argentina and Colombia have similar findings -- statistically insignificant (neutral) results on employment probabilities and earnings. In Mexico, however, there are mixed results for the Job Training Program for Unemployed Workers (PROBECAT).[13]. Wodon and Minowa (1999) found that the program did not have large positive effects on

[13] PROBECAT is a short-term training program targeted at increasing earnings and employment for unemployed and displaced workers. Trainees receive minimum wage during the training period (6 months) and the local employment office provides placement services.

employment probabilities and that it was not favorable from a cost-benefit perspective.[14] A more recent evaluation finds more positive overall employment impact although this varies across personal characteristics, regions, and institutions (Calderon-Madrid and Trejo, 2001). According to these results, on-the-job training is more effective than classroom training, and, training centers run by the private sector outperform government-run ones. Evidence from these Latin American studies shows that positive impacts on employment and earnings of training programs are largely confined to women (Argentina, Colombia, Mexico).

4.2.3 Summary

The new wave of evaluations reinforces the view that the record for training unemployed workers is mixed. There are many programs with positive results, especially in terms of increasing employment probabilities (as opposed to wage rates), but others appear to offer little benefit to participants. The evidence suggests that the design of the program is critical for ensuring favorable outcomes. A number of studies observe that on-the-job training and employer involvement and sponsorship are associated with more positive outcomes than classroom training and programs that do not have connections to the private sector. Studies also highlight the value of linking training with formal qualifications. Some earlier evaluations had found that unemployed women often received more benefit from training programs than men. The evidence from the recent evaluations on this point generally supports this but there are exceptions. Studies in developing and transition countries find that most of the positive impact is confined to women; on the other hand, the evaluation of the Spanish training program concluded that women, along with older workers and disabled workers, benefited the least. Finally, the recent evaluations we have studied confirm that programs aimed at the unemployed are more effective, at least in the short run, when the economy is performing well.

The new evaluations have provided some insights into how well training programs can assist unemployed workers in transition and developing countries. However, they raise important questions as well. Why are the evaluations so consistently positive in transition

[14] This evaluation was a reevaluation of two previous studies in 1992 and 1994. The results of this third evaluation led to different findings and policy conclusions.

countries in terms of improving the employability of participants? On the other hand, it seems that the few programs in developing countries that have been evaluated have less impact than in either developed or transition countries. If this is indeed the case, do these programs need to be adjusted to reflect the large informal sectors and low administrative capacity in many of these countries? Many more careful evaluations will be needed to address these questions. Finally, more information about cost-effectiveness is needed in all countries. Unfortunately, most recent evaluations have had less emphasis on costs, compared to impacts.

4.3 Retraining Programs for Workers in Mass Layoffs

Retraining programs specifically for workers involved in mass layoffs face special challenges. First, workers who lose their jobs in large-scale layoffs – from enterprise or industrial restructuring, privatization, etc. -- tend to be concentrated geographically, often in areas where local economies are in decline. They generally have a stronger history of employment than a typical pool of unemployed workers, but often their skills and experience are specific to a particular industry or occupation where labor demand is declining. So, in principle, retraining should be a promising option.

Unfortunately, the body of evaluation evidence on retraining programs specifically for workers in mass layoffs is small. This is despite the fact that many countries, including most transition economies and a number of developing countries, have invested in retraining to support the structural reforms launched during the last decade. One reason for this small sample is that much of the training, especially in transition countries, to address large-scale restructuring has been carried out under general programs. Where there are evaluations, then, we have included them in the preceding sub-section. In terms of specific programs for retraining for workers in mass layoffs, we examine nine studies, including six from the 1999 report and only three new ones. Seven are from developed countries, with one each from a developing country and a transition country (both new).

4.3.1 Assessment of Results

The 1999 review drew relatively unfavorable conclusions about the impact and cost-effectiveness of retraining programs specifically for workers in mass layoffs. Control-group

evaluations showed that some programs might result in modest increases in reemployment probabilities for participants, but this result was often statistically insignificant. There were very few examples of earnings gains and, often, evidence of losses from participating. Overall, Dar and Tzannatos (1999) concluded that these programs compared unfavorably in terms of impacts to training programs for the unemployed. According to their results, if retraining programs are to be used, they should be small- scale and targeted towards those subgroups who can benefit the most from them.

Table 7 summarizes our updated results on retraining for workers in mass layoffs. It is based on the six studies from the 1999 review plus three new ones. Some programs do appear to have a positive employment impact but almost as many either have no significant effect or even a negative one. It should be noted that the small number of evaluations does limit the definitiveness of any conclusions that can be drawn. This also precludes any possibility of comparing results by development category.

Table 7: Summary of Evaluation Results for Retraining Programs for Workers in Mass Lay-offs

	No. of Evaluations			**Impact on Employment (*) (Number -- all studies)**			**Impact on Earnings (Number -- all studies)**		
	1999 study	New	Total	Positive	Non-positive (**)	Not clear	Positive	Non-positive (**)	Not clear
Developed countries	6	1	7	3	3	-	-	1	3
Transition countries	-	1	1	1	-	-	1	-	-
Developing countries	-	1	1	-	-	1	-	1	-
All studies	6	3	9	4	3	1	1	2	3

(*) Predominant effect either in the short or long term, depending on the study methodology. Totals on employment and earnings impact do not add up to sample total because some studies did not consider both types of impact.
(**) Not statistically significant, no effect, or negative results.

4.3.2 New Evaluations

The three new evaluations come from Australia, China, and Bosnia and Herzegovina. They provide a mixed picture with a very positive evaluation in Bosnia and Herzegovina, a negative one in Australia, and mixed results in China.

The Australian study evaluates the impact of retraining workers laid off from the textile, clothing and footwear sectors. These layoffs resulted from displacements due to trade

liberalization. Training, and specifically the length of the program, had significant negative effects on the likelihood of finding a job for both men and women (Weller, 1999). It should be noted that many of those laid-off had no formal qualifications and were not literate in English. While the evaluation did not formally address selectivity issues, the authors conjecture from their analysis that retrenched workers who gained the most from retraining were those with higher skill levels at retrenchment and who could build their skill repertoire to adapt to new contexts.

The Chinese evaluation is very important, given the context in that country of large-scale displacement due to the massive restructuring of the state sector and other structural changes taking place. The study assesses the impact in two large cities of retraining programs for workers laid off from state-owned enterprises. In one of the cities, participation in retraining led to increases in employment while, in the other city, the employment effect was insignificant. In neither case was there a significant effect on earnings. The analysis did highlight three program design features that were associated with higher employment rates for the laid-off workers: longer-duration programs, some worker contribution to training costs, and programs offered outside the official Labor Bureaus.

Bosnia and Herzegovina appears to have had a successful reemployment experience with the Emergency Demobilization and Reintegration Project (see Box 4). It should be noted that this project was carried out in a severe post-conflict context and caution should be taken in terms of its applicability to more normal situations. This project provided a range of instruments, including education and retraining as well as employment services, to assist in the reintegration of demobilized soldiers and displaced workers into the civilian workforce and to increase economic productivity.[15] The results of the quasi-experimental evaluation show that the program increased the likelihood of employment by 43% and had a major impact on wages as well (Benus *et al.*, 2001).[16] Although the evaluation did not separate out the effects of specific instruments, retraining was the major intervention and presumably

[15] Requirements of the Dayton Peace Accords called for a balanced reduction of 425,000 men and women. Around 1,250,000 refugees were returning to the country, adding to the 900,000 people who were unemployed due to war damage to their place of employment.

[16] In a multivariate regression, monthly earnings were 98 DM higher for participants than the control group. The mean earnings for participants was 178 DM, so this program effect accounted for 55% of their observed earnings.

accounted for much of the impact. The program had a positive statistically significant impact on employment and earnings for all subgroups by gender, age, and the level of education. Unfortunately, the evaluation methodology does not include estimates of deadweight or substitution effects which may be significant given the design of the program.

4.3.3 Summary

The small number of evaluations precludes any definitive assessment of this important type of intervention. Certainly, the addition of just three new evaluations cannot provide the basis for an informed reconsideration of the earlier, and largely unfavorable, evidence. The variation in the results of the new evaluations does underline that the extent to which retraining programs can assist in the reemployment of displaced workers is not predetermined. Design seems to matter. The Bosnia and Herzegovina case, which has yielded the most favorable results, included integrated employment and training services, and strong sponsorship and commitments by employers. But the post-conflict context does raise questions about exactly how generalizable the results are to the more standard case of industrial displacement. A larger body of evaluations will be needed to more precisely identify the key factors for getting positive outcomes in these retraining programs. More information about costs would help to further assess the viability of these programs. Finally, we reiterate that a lot of training for workers involved in mass layoffs actually takes place under general retraining programs. In the case of transition countries, where the evaluation evidence for general programs has been relatively positive (see previous sub-section), retraining in response to large-scale restructuring may have been more successful than the limited evidence in this sub-section suggests.

Box 4: Bosnia & Herzegovina Emergency Demobilization and Reintegration Project (EDRP)

The EDRP began in 1996 and completed program operations in 1999. The goal of the project was to assist in the reintegration of demobilized soldiers and displaced workers into de civilian workforce and to increase economic productivity by financing the implementation of active labor market programs. The project design incorporated four components:

- *Labor Market Information Data Base:* Reestablishment, upgrading, and broadening of municipal-level labor market information data base.
- *Education and Retraining Services:* Financing sub-project contracts for demand-driven education and retraining services. Contracts were granted to enterprises that agreed to provide on-the-job-training and to hire 80% of the training participants.
- *Counseling and Job-Finding Services*: Providing technical assistance to develop counseling and job-finding services as well as sub-project contracts for the delivery of these services.
- *Management Assistance*: Providing technical assistance and goods to develop and maintain two small management units.

The total funding of the project was $7.75 million. Throughout the three-year implementation period, project funds were allocated between the two political entities: the Federation of Bosnia and Herzegovina, with Muslim and Croat ethnic majorities, and the Republika Srpska), with a Serbian ethnic majority. Each of these political entities managed and implemented its own project resources independently. For example, each entity maintained its own small Project Implementation Unit (PIU) as well as its own extension agents who promoted and monitored the counseling and training contracts. Shortly after the two PIUs were established, public solicitations were published in local newspapers to identify local enterprises and educational institutions with the capacity and willingness to train and find jobs for program participants. A total of 538 contracts were signed, the majority (86.6%) with enterprises that agreed to provide on-the-job training. The remaining contracts were split approximately equally between training institutions (6.9%) and counseling service providers (6.5%). There were a total of 22,989 participants, similarly distributed with 80.3% on-the job-training, 5.2% in institutional training, and 14.5% in counseling.

The evaluation of the program showed very large and statistically significant impact on the likelihood of wage and salary employment and on earnings. The services provided by the project were effective in reintegrating demobilized soldiers into the economy.

Source: Impaq International (2001)

4.4 Training Programs for Youth

Our review includes 19 evaluations of training programs for youth.[17] This includes seven evaluations from the 1999 study and 12 new ones. Of these, 14 are from developed countries and five are from developing countries. All of the developing country evaluations are new. Studies on these programs are relatively evenly split between experimental and quasi-experimental design.

These types of programs – and their evaluations -- receive a great deal of attention given the prominence of unemployment among young people, especially disadvantaged

[17] The standard definition of "youth" is 15-24 year-olds. However, many of the programs evaluated are targeted at young people under 20 years old.

youth, in many countries.[18] In most countries, the youth unemployment rate is between two and four times the adult rate (and up to eight times in a few cases). In developing countries, this ratio tends to be higher than in industrialized ones (O'Higgins 2003). Many programs target less-educated young people, often school dropouts, and/or youth from disadvantaged families. The main objective is generally to improve the employability of participants, through increased skills for the labor market. Interventions typically include some combination of on-the-job training, vocational (classroom) training, job readiness training, and/or internships. In many -- especially industrialized -- countries, these programs are being delivered through public-private partnerships.

4.4.1 Assessment of Results

Dar and Tzannatos (1999) concluded that youth training programs had the poorest track record, when compared with training programs for the long-term unemployed and those displaced through mass layoffs. OECD reviews have drawn a similar conclusion (Martin, 2000). In almost all cases included in the 1999 review, participants did no better than the control group, either in their post-training employment probability or their earnings. Moreover, the cost-benefit analysis of several of the youth training programs suggested that the social rates of return were typically negative, both in the short- and the long-run. The policy implication to be drawn from Dar and Tzannatos (1999) and Martin (2000) is that earlier interventions at the schooling stage are likely to be more effective than trying to remedy education failures through youth training. This is consistent with a recent review undertaken by Godfrey (2003) for the World Bank. This review concludes that youth employment policy should shift from "curative" to "preventative" interventions; i.e., shifting from dealing with the consequences to the causes.

Table 8 summarizes the findings of evaluations on youth training programs. It includes the seven studies included in the 1999 review, plus the 12 new ones. The negative track record reported by the earlier World Bank and OECD reviews remains relevant for

[18] Unemployment, of course, is only one indicator of labor market outcomes. In developing and transition countries with large informal sectors and limited social safety nets, it is often not the best indicator. Employment in the informal sector or some measure of "underemployment" would be desirable but it is difficult to gather data on these measures. O'Higgins (2003) suggests that, if systematic data were available, it would reasonable to assume relatively high rates for youth.

developed countries. Only one program demonstrated a positive outcome for each of the employment and earnings indicators; all the rest had either neutral or negative impacts according to the evaluations. On the other hand, the picture seems quite different for youth programs in developing countries, at least in Latin America where the new evaluations come from; note that there were no evaluations from any developing countries available for the 1999 review. As the table indicates, all five studies of youth training programs in developing countries appear to have had positive employment impacts and two of the three computing earning effects demonstrated positive impacts on that indicator. We discuss these new developing-country evaluations, including qualifications on the results, below.

Table 8: Summary of Evaluation Results for Training Programs for Youth

	No. of Evaluations			**Impact on Employment (*) (Number -- all studies)**			**Impact on Earnings (Number -- all studies)**		
	1999 study	New	Total	Positive	Non-positive (**)	Not clear	Positive	Non-positive (**)	Not clear
Developed countries	7	7	14	1	10	1	1	8	-
Transition countries	-	-	-	-	-	-	-	-	-
Developing countries	-	5	5	5	-	-	2	1	-
All studies	7	12	19	6	10	1	3	9	0

(*) Predominant effect either in the short or long term, depending on the study methodology. Totals on employment and earnings impact do not add up to sample total because some studies did not consider both types of impact.
(**) Not statistically significant, no effect, or negative results.

Note that we do not have evaluations of specific youth training programs in transition countries. However, there are pieces of research, summarized in Godfrey (2003), that provide some evidence on this issue. Evaluations of training programs by Fretwell *et al*. (1999) showed some positive impacts on youth for Hungary and Poland (on employment but not earnings), and the Czech Republic (earnings but not employment). However, Godfrey (2003) cites evidence that any positive employment impacts are likely outweighed by the costs of the programs.[19]

[19] The increases in employment probabilities for youth were in the 6-10% range for Hungary and Poland (Fretwell *et al*., 1999).

4.4.2 New Evaluations

Looking first at developed countries, evaluation results from Canada, France, and Sweden show disappointing results, similar to those reported in the earlier review. In these countries, youth training schemes appear to have had no effect on the likelihood of getting a stable job and did not increase employment duration if a job was found. The one positive evaluation from an industrialized country related to the Job Corps program in the United States. This program is targeted at 16-24 year-olds, many without high school completion. Average duration of participation is eight months and services include vocational training, academic instruction, and other social services. The evaluation study found that the program generated positive and statistically significant earnings impacts beginning in the third follow-up year, which persisted through the end of the four-year period after program participation. The average earnings gain from participation was estimated to be 12%. The program also showed positive results in terms of cost effectiveness (Gritz and Johnson, 2001).[20] While the evaluation results are favorable for Job Corps, in many ways it is a special, high-cost intervention that includes a range of services that are outside the normal umbrella of ALMPs.

As Table 8 indicates, the results for the new evaluations in developing countries (i.e., Latin America) are positive. This is particularly true for the "Jovenes" programs which have been evaluated in Argentina, Chile, Peru, and Uruguay. These programs, described in Box 5, share common features: they are targeted at disadvantaged youth, combining training and work experience with other services including psychological development, vocational assessment, etc. Implementation involves important roles for civil society and the private sector and flexible, competitive, and decentralized service delivery. Funding varies: for example, the Chilean program is financed by government while in Uruguay, it is funded from a tripartite levy-grant scheme (Godfrey 2003). In all four countries where evaluations exist, the program demonstrated positive and significant effects on employment and earnings. In some cases, these net gains are estimated to be substantial.

However, without dismissing the positive results, there are questions about the Jovenes programs. Some critiques emphasize that there are no incentives for funding

[20] When savings from reduced criminal activity among the program participants was taken into account, the study estimated that society benefits by about $17,000 for each participant. .

agencies to focus on quality of training (Castro, 1999). Second, there is not much evidence relating to cost-benefit analysis of the programs. However, the costs of these programs can be high. The evaluation in Argentina estimated that at least nine years of higher earnings due to the program would be required to show a positive net present value for the groups with statistically significant results (Aedo and Nunez, 2001). Third, the evaluations measure the impact of the programs in the very short-run (six months to one year after receiving treatment); little or nothing is known about the impact over time. Finally, the overall coverage of these youth training programs – and thus their aggregate impact on the youth unemployment problem -- is limited by their design and relatively intense package of services.[21]

4.4.3 Summary

The new evaluations reinforce earlier negative findings about the effectiveness of youth training programs, at least in industrialized countries. With the exception of the very unique U.S. Job Corps program, the evaluations in these countries indicate that youth training rarely improves the employment and earnings prospects for participants. The favorable assessments of the Jovenes programs in Latin America, however, raise the possibility that the disappointing track record of youth training in industrialized countries may not apply in developing countries. The uniformly positive estimates of program impacts on both employment and earnings in the four countries where evaluations were undertaken suggest that the Jovenes approach may be a promising one. As we have noted above, this conclusion should be tempered by questions about the longer-term impacts, the costs, and the potential coverage of these kinds of programs.

[21] For instance, the Peruvian Projoven program has trained approximately 30,000 youths over five years -- a significant number but still a low one, considering the total number of unemployed youth.

Box 5: The "Jovenes" Programs for Youth Training in Latin America

The "Joven" program was initiated in Chile in 1990, and with the positive results there, similar programs were implemented in Argentina, Colombia, Peru, and Uruguay. They are aimed at youth from low-income families, with low educational attainment, and little or no job experience. In some cases, preference is given to household heads with children. In general, the programs consist of training, work experience, and various services, including basic literacy and job search assistance. The training component is aimed at helping participants to attain a semi-skilled level in specific trades that are in demand in the labor market. The work experience component has to be carried out in a firm specially engaged for that purpose. The firm assumes a tutoring role under the supervision and responsibility of the executing unit, but is not obliged to remunerate trainees or to employ them after the program. There are variants oriented towards self-employment. The training and work experience normally lasts about six months -- 200 to 400 hours of training and two to three months of work experience. Participants get a maintenance and transportation subsidy.

Although the implementation of the programs varies slightly across countries, there are some key common characteristics:

- *Coordination by the state, civil society, and the private sector.* The State assumes responsibility for the design, supervision, technical control, and full or partial financing of programs. Implementation is by state agencies and civil society, which receives support services to develop their operational, technical, and administrative capacity. The private sector provides spaces for work experience and, in so doing, ensures that the training delivered meets real market needs.
- *Targeting.* The design of the program, including geographical location, duration of the training package, qualification level achieved, conditions for work experience, amount of subsidies, etc., is intended to ensure that it reaches the target population and not "borderline" social groups.
- *Decentralized implementation, regulated by market mechanisms*. Maximum flexibility and the decentralization of training services is achieved by using competitive bidding. In Chile, for example, the program involves about 1,000 training providers including private training centers and NGOs. Proposals are considered on both technical and financial criteria.
- *Integrated approach.* Training goes beyond specific occupational skills and incorporates curriculum to improve communications, personal relations, and self-esteem.

Evaluations of the "Jovenes" programs show that in all the countries, the program have been successful in terms of improving labor market outcomes for participants.

Sources: International Labour Organization (2003) and Godfrey (2003).

The received view that youth unemployment is most effectively and efficiently addressed through preventive policies (i.e., through improving education outcomes) rather than through training programs remains valid. However, the positive evaluations for the Jovenes and U.S. Job Corps programs do offer some lessons for what is required for successful youth interventions. These programs have in common an approach that involves a combination of services where training is provided in a comprehensive package that also includes basic education where needed, employment services, and relevant social services (including residential services in the case of Job Corps). Work or internship experiences also seem to be important. However, it is important to acknowledge that these comprehensive

service approaches involve tradeoffs: they are costly and cannot easily reach large numbers. Another successful design feature seems to be the use of private providers; all positive evaluations of youth training programs in developed and developing countries found that private trainers performed better than public institutions.

4.5 Wage/Employment Subsidies

Wage and employment subsidies are designed to subsidize an employer's cost of hiring. These subsidies can take various forms including contributing part of the worker's salary or offsetting social security contributions for a specified amount of time. The level and duration of these subsidies can vary significantly. Subsidies are typically targeted at particular groups, such as the long-term unemployed, disabled workers, and young people. In a growing number of industrialized countries, subsidies are being offered directly to welfare recipients in order to encourage them to work. In addition to this labor supply effect, subsidy programs are seen as compensating employers for their screening, orientation, and initial training costs with the expectation that the employee's productivity will have increased enough by the time the subsidy period is over for the firm to continue the employment relationship. There also is a particularly strong social element to these programs even if there is no net employment gain (Martin 2000). Subsidies are a relatively straightforward way to get long-term unemployed or disadvantaged workers into the labor market, and governments sometimes use this instrument even if the job lasts only for a limited period of time (and perhaps at the expense of unsubsidized workers).

We consider 23 evaluations of wage and employment subsidy programs. These include 7 from the 1999 review and 16 new ones. Of these, 17 are from industrialized countries, five are from transition countries, and one comes from a developing country. Five of the six evaluations in developing and transition countries are new. Five of the evaluations are based on experiments while the rest use a quasi-experimental design.

4.5.1 Assessment of Results

The reviews by Dar and Tzannatos (1999) and Martin (2000) concluded that wage and employment subsidies are unlikely to be effective, with substantial deadweight and substitution risks. Most programs showed that participants were less likely to be employed and earned less than those in the control group after the subsidy ended. One exception was

the U.S. Job Training Partnership Act program where subsidies combined with on-the-job training offered significant benefits to single mothers and, to a lesser extent, males. These earlier reviews were based almost exclusively on evaluations in industrialized countries. A major risk of wage subsidies is that employers will use these programs even where hiring would have taken place anyway or to substitute subsidized workers for unsubsidized ones. If programs are to have real net positive impacts, it is important to target carefully and to monitor employers to reduce these substitution and deadweight effects. However, Martin (2000) points out that this involves a tradeoff in that intense monitoring and tight targeting conditions may make the program unattractive for employers and thus reduce the take-up rate.

Table 9 summarizes the evaluations for wage and employment subsidies, based on the 23 available studies. The overall picture remains unfavorable: 14 of the 21 evaluations with results on employment impacts conclude that the effect was either neutral or negative and only five of 11 evaluations find that the subsidies had a positive impact on earnings. The table indicates that the positive findings almost completely come from industrialized countries where some program evaluations do show net employment and/or earnings gain. In fact, the new wave of evaluations in industrialized countries is more positive than the evidence considered by Dar and Tzannatos (1999).[22] The evaluations from transition countries lead to uniformly negative assessments. The one evaluation from a developing country reports positive employment impacts. In any event, most evaluations do not fully estimate deadweight and substitution effects that can reduce overall program impact. One promising direction concerns programs in the U.S. and Canada where subsidies have been provided directly to welfare recipients as a supplement to their earnings. These are described below.

[22] The 1999 study evaluations for developed countries had two positive cases of employment impacts and 11 negative or neutral. Six of the 10 added in this study had positive results in terms of employment effects.

Table 9: Summary of Evaluation Results for Wage and Employment Subsidies

	No. of Evaluations			Impact on Employment (*) (Number – all studies)			Impact on Earnings (Number – all studies)		
	1999 study	New	Total	Positive	Non-positive (**)	Not clear	Positive	Non-positive (**)	Not clear
Developed countries	6	11	17	6	9	2	5	4	1
Transition countries	1	4	5	-	5	-	-	1	-
Developing countries	-	1	1	1		-	-	1	-
All studies	7	16	23	7	14	2	5	6	1

(*) Predominant effect either in the short or long term, depending on the study methodology. Totals on employment and earnings impact do not add up to sample total because some studies did not consider both types of impact.
(**) Not statistically significant, no effect, or negative results.

4.5.2 New Evaluations

The new evaluations in industrialized countries show both negative (Belgium, Sweden) and positive results (Australia, Germany, Great Britain, and the U.S.). However, some of the programs with positive results have other elements besides the wage subsidy and the evaluations do not isolate the specific effects of the subsidies. For example, the Public Employment Program in Germany also includes training and the New Deal Program in Great Britain also has job search assistance services. Where employment impacts are positive, the magnitude of the effect is often modest.

As noted above, programs that provide the subsidies directly to individuals as a supplement to their earnings seem promising. The objective of these programs is to use subsidies as an incentive to encourage work – as opposed to welfare payments -- as a way to achieve greater economic self-sufficiency. Canada and the U.S. have implemented and evaluated these type of programs. On average, the Canadian Self-Sufficiency Project (see Box 6) increased earnings by more than 20% over the control group. Because the rules of the program prohibited people from simultaneously receiving the earnings supplement and income assistance, the program reduced income assistance payments by about $3,500 per family in the treatment group (Michalopoulos *et. al*. 2002).[23]. In the United States, for most groups, participants of welfare-to-work programs (see Box 7) had higher earnings and lower

[23] However, other evaluation analysis using a general equilibrium approach shows that the impact of the project is not as good as it seems to be when evaluating only employment and earning effects on individuals (Lise, Seitz and Smith, 2003).

welfare payments than people in the control groups, but generally had the same combined income from earnings, welfare, and Food Stamps. The program also reduced annual welfare payments by similar amounts for all groups, with the effects ranging between $200 and $600 (Michalopoulos, et. al. 2001).

The available evaluation evidence for wage subsidy programs in transition countries is negative. The evaluation of wage subsidies in Poland is particularly unfavorable for males. In Slovakia, neither men nor women benefited from the subsidies. The developing country experience is limited to the Argentina Proempleo experiment. In this evaluation, participants (low-income and registered in workfare programs) were divided into three groups – receiving vouchers only, vouchers plus training, and the control group. The impact of the voucher was not evident until 18 months after the program; at this point, 14% of participants reported private-sector wage employment compared to 9% for the control group (Galasso, Ravallion, and Salvia, 2001). There was no positive effect, however, on earnings. Take-up by employers was low, apparently because of associated costs (social charges, eventual severance payments, etc.) for the enterprise.

4.5.3 Summary

The clear majority of subsidy programs do not appear to have net positive impacts on the longer-term employability or earnings of participants. This is particularly the case for developing and transition countries where the limited evaluation evidence is uniformly negative. But there are exceptions. The picture in industrialized countries is more favorable, especially on the basis of the recent evaluations. There is some new evidence of effective programs, when employers use the subsidy to screen future workers or when provided directly to individuals through an incentive system to work, at the risk of losing welfare benefits. However, all evaluations of this type of labor market intervention are beset by the challenges of factoring in deadweight and substitution effects that are especially relevant in the case of subsidies. Most recent evaluations have not incorporated these costs. Finally, programs may be most effective when they combine the subsidy with other components such as training or job search assistance.

4.6 Public Works

Public works programs are increasingly known by other names including temporary community projects, labor-intensive projects, and workfare to reflect the fact that are no longer exclusively government-delivered infrastructure projects. These projects often are delivered by NGOs or the private sector and they may involve diverse activities including services for the community. All of these projects have multiple objectives including transferring income to poor families especially during difficult times, providing infrastructure or services, and creating jobs. Most programs offer participants low-wage, short-term jobs in construction, rural development, community services, etc. The length of these jobs can vary but typically is between three months to one year. These programs are widely used by countries at all stages of development. In many low-income countries, they are the most heavily used labor market intervention.

Much of the policy debate over the effectiveness of public works programs has focused on the safety net, or anti-poverty, objective. The central question for this review, however, concerns the employment impacts of public works and, specifically, whether participation improves future employment and earnings prospects. We consider 20 evaluations, nine from the 1999 study and 11 new ones. While the first wave of evaluations were primarily from industrialized countries (six of the nine), nine of the 11 new ones come from developing and transition countries. All but one of the evaluations is based on quasi-experimental design.

4.6.1 Assessment of Results

The 1999 review concluded that public works primarily provide short-run benefits as a temporary safety net but that they are generally not effective as an active labor market program that improves longer-term employment prospects.[24] There can be temporary declines in unemployment as a result of individuals joining the program but the body of evidence available to Dar and Tzannatos (1999) suggested that they do not increase future labor force attachment or employment probabilities. These conclusions were supported by the transition-country evaluations carried by Fretwell *et al.* (1999).

[24] For a review of the evidence on the effectiveness of public works as a safety net, see Subbarao (2003).

Table 10 summarizes the evidence from the 1999 review and the new evaluations on impacts of public works programs. The unfavorable earlier assessment of public works as an employment program still applies although the new evaluations are more positive than the ones considered in 1999. Overall, seven of the 18 studies with estimates of the employment effect have positive results. Five of these come from the new studies. Most evaluations do not analyze the earnings effects – of the four that do, none are positive. As the table indicates, the evaluation evidence is negative for the majority of programs in industrialized countries and mixed for the transition country programs. The only evaluation available for a developing country (Argentina) is inconclusive in terms of post-program labor market outcomes.

Table 10: Summary of Evaluation Results for Public Works Programs

	No. of Evaluations			**Impact on Employment (*) (Number -- all studies)**			**Impact on Earnings (Number -- all studies)**		
Developed countries	1999 study	New	Total	Positive	Non-positive (**)	Not clear	Positive	Non-positive (**)	Not clear
Transition countries	6	2	8	2	7	-	-	1	-
Developing countries	3	8	11	5	4	1	-	3	-
All studies	-	1	1	-	-	1	-	-	1
Developed countries	9	11	20	7	11	2	0	4	1

(**) Not statistically significant, no effect, or negative results.
(*) Predominant effect either in the short or long term, depending on the study methodology. Totals on employment and earnings impact do not add up to sample total because some studies did not consider both types of impact.

Box 6: The Self-Sufficiency Project in Canada

The Self-Sufficiency Project (SSP) is a research and demonstration project designed to test a policy innovation that makes work pay better than welfare. The program offered a temporary earnings supplement to selected long-term income assistance recipients in British Columbia and New Brunswick. The earnings supplement was a monthly cash payment available to single parents who had been on income assistance for at least one year and who left income assistance for full-time work. The main key features of the SSP earnings supplement are:

- *Substantial financial incentive.* The supplement equaled half the difference between a participant's earnings and an "earnings benchmark". During the first year of operations, the benchmark was between $30,000 and $37,000. Unearned income (such as child support), earnings of other family members, and number of children did not affect the amount of the supplement. The supplement roughly doubled the earnings of many low-wage workers (before taxes and work-related expenses).
- *One year to take advantage of the offer*. A person could sign up for the supplement if she found full-time work within the year after random assignment. If she did not sign up during that year, she could never receive the supplement.
- *Voluntary alternative to welfare*. No one was required to participate in the supplement program. After beginning to receive the supplement, participants could decide at any time to return to income assistance, as long as they gave up supplement receipt and met the income assistance eligibility requirements.

Because the evaluation of SSP assigned people to the program and control groups at random, the impact of the supplement offer is measured as the difference in employment, earnings, income, and other outcomes between the two groups. One- third of the long-term welfare recipients who were offered the SSP earnings supplement worked full time and took up the supplement offer. Furthermore, by the end of the first year after random assignment, treatment group members were twice as likely as control group members to be working full time and the effect of SSP on employment continued to be strong through most of the follow-up period. As a result, SSP increased the average person's earnings by nearly $3,400, or more than 20% over the earnings of the average control group number. Because the rules of SSP prohibited people from simultaneously receiving the earnings supplement and income assistance, the program reduced income assistance payments by about $3,500 per family in the program group. When people left income assistance to receive the earnings supplement, they replaced their income assistance payments with SSP supplement payments. Over the entire follow-up period, treatment group members had on average about $6,300 more in combined income from earnings, income assistance payments, and earnings supplements than control group members.

Finally, the effects of SSP on employment, welfare use, and income were small after parents were no longer eligible for the supplement. Members of the program group could receive supplement payments for up to three years, and the program's effects were strong throughout the period when parents were eligible for the supplement. Although the program's effects were smaller at the end of the follow-up period, this finding does not change the fact the program group members gained considerable work experience because of SSP and their families benefited from the increased income they gained while the supplement was being paid.

Despite these positive results, general equilibrium approaches to the effects of the program, in contrast with partial equilibrium, show an important deadweight loss of the program, with the consequence that the benefits of SSP were considerably lower. In New Brunswick, for example, the benefits are approximately one-tenth the size of the net gain predicted by the partial equilibrium analysis.

Sources: Michalopoulos *et. al.* (2002) and Lise, Seitz and Smith (2003).

Box 7: Evaluation of Welfare-to-Work Programs in the United States

In 1996, the U.S. Congress passed the Personal Responsibility and Work Opportunity Reconciliation Act (PRWORA), replacing the 60-year-old Aid to Families with Dependent Children entitlement program (AFDC) with Temporary Assistance for Needy Families (TANF). Under this new mechanism, states received block grants and flexibility to design their welfare programs. A number of states replaced voluntary welfare-to-work programs that emphasized education and training with mandatory programs that stressed quick employment. PRWORA also required a growing percentage of the welfare caseload to be working or participating in work-related activities and it imposed a five-year time limit on how long most families could receive federal support.

In 2001, the U.S. Department of Health and Human Services implemented an evaluation of 20 welfare-to-work programs in eight states (Georgia, Ohio, Michigan, Oklahoma, Florida, Oregon, California and Minnesota). The evaluated programs all required some portion of the welfare caseload to participate in a welfare-to-work program or risk losing some or all of their welfare benefits through sanctions. While all the programs began operating prior to the passage of PRWORA, the earliest began in 1985 and the latest are still in operation. The programs vary in their approach to helping welfare recipients find work; five programs encouraged or required nearly all individuals to look for work, seven focused on basic education for most participants, and eight used a mix of the two approaches, encouraging or requiring more job-ready participants to look for work but allowing others to build skills through basic education.

Manpower Demonstration Research Corporation (MDRC) conducted the evaluation using experimental research design in which individuals were assigned at random either to a program group or to a control group. According to these findings, people in most program groups had higher earnings and lower welfare payments than people in the control groups, but generally had the same combined income from earnings, AFDC, and Food Stamps. In addition, the programs increased earnings about as much for the more disadvantaged groups - long-term recipients, high school non-graduates, families with three children or more, and people with no recent work experience - as for the less disadvantaged groups. Nevertheless, the more disadvantaged groups earned much less than others.

Finally, the study found that employment-focused programs tended to be more effective than education-focused programs for the more disadvantaged groups. While programs with an education focus rarely had large effects for these groups, programs that provided a mix of activities tended to help the broadest range of people. No information about deadweight loss effects is provided in this study.

Source: MDRC (2002).

4.6.2 New Evaluations

Recent evidence from industrialized countries includes only two evaluations, from Belgium and from Canada. The Belgian evaluation has unclear results. The assessment of the Canadian direct job creation programs involved various programs from 1977 to 1996. The evaluation found that participation enhanced employment and earnings for poor groups and women. The cost-effectiveness of these Canadian programs improved over time through better design, eliminating ineffective elements and expanding effective ones.

The eight new evaluations from transition countries present mixed results. In Poland, two evaluations concluded that public works had significant negative effects on exiting unemployment and on future employment; these impacts were strongest for men. One of these evaluations speculated that a consequence of these programs was to stigmatize participants as low-productivity workers. Evaluations in Slovakia, Slovenia, Ukraine, and Macedonia found that participation in public works had an immediate positive impact on post-program transition into employment. However, according to the studies in Slovenia and Ukraine, this positive effect only applied if participants found a job shortly after the program ended. In Slovenia, for example, there was no longer a positive program effect if no job had been found in three months. In Macedonia, the positive employment result was achieved at a very high unit cost. In Romania, participation in public works had no impact on either wage employment or self-employment.

Although direct job creation programs through public works are the favored government response to unemployment in many developing countries, their labor market impacts have rarely been evaluated. We have only one study – a randomized experiment to assess the Trabajar program in Argentina (see Box 8). This program (second phase) was introduced in 1997 in response to the macroeconomic crisis and provided short-term work at relatively low wages, largely to workers from poor families.[25] Ravallion *et al.* (2001) estimate impacts by comparing incomes of those who left the contracting program (usually involuntarily) against continuing participants and a control group of non-participants. They find that workers who left the program had large initial income losses relative to stayers or non-participants.[26] However, it is not possible from this evaluation to answer the question at the center of our enquiry – i.e. whether participants improved their employment probability and earnings, compared to not having participated.[27]

[25] The evaluation of the safety net impacts of Trabajar was favorable. It was well-targeted on the poor and income gains for participants were equal to about one-half of the gross wage (Jalan and Ravallion 2002).
[26] There was evidence that ex-participants began to reverse these initial (within six months of leaving) losses in the second survey 12 months later. However, there were no subsequent follow-ups to observe longer-term impacts.
[27] Ravallion *et al.* (2001) do report qualitative data indicating that about one-half of participants felt that participation would expand their job opportunities.

Box 8: Argentina's "Trabajar" Program

During 1995-1996, within the context of making longer-term macroeconomic labor market reforms, the government of Argentina began a series of short-term public employment programs to alleviate its growing poverty problem. Trabajar was started in March 1996, replacing a previous public employment scheme which was unsuccessful. A second phase was introduced in 1997. Trabajar provides low-wage work, targeted to the unemployed, on various small-scale community-level projects. The overall aim is to reduce poverty by providing paid work for unemployed workers from poor households and buy producing things of value to those households and other poor families in the local community.

The main targeting mechanism is the low wage rate. The selection of an appropriate wage rate is critical to the success of reaching the target population. In the beginning, the direct benefit was a wage transfer of $200/month to every full-time worker in the program. Then this wage was $160/month, approximately 2/3 the average wage of the poorest 10% in the country. Low wages were used to make the program be attractive only to those people with low family incomes and few prospects for employment. Along with worker self-selection, the project selection process places an emphasis on geographically targeting poor areas to receive projects. Therefore, neighborhoods and municipalities of the target group are promoted as potential recipients for projects that in turn provide opportunities for work.

The "Trabajar" program, supported by the World Bank, is managed by the Ministry of Labor and Social Security (MTSS) staff at the national, regional and provincial levels. The MTSS provides the menu of acceptable projects, as well as criteria and other instructions for project preparation, evaluation, approval, and supervision. MTSS assigns resources for each province using a formula which weighs most heavily the distribution of the unemployed poor with consideration for past implementation performance. Projects can be proposed by municipalities (66% of all the projects), NGOS (15%), national agencies, or private organizations. These projects include minor construction, repair, expansion, or remodeling of schools, health facilities, basic sanitation facilities, small roads and bridges, small dams and canals, community kitchens and centers, tourist centers, and low-cost housing. Projects must be completed within 4-6 months and can employ no more than 100 persons. The average project has had a cost of $70,000, employed 25 workers, and lasted five months.

Sources: Eisenstadt (1998) and World Bank Institute (2000).

4.6.3 Summary

Public works programs provide mainly short-term benefits in the form of a safety net and, when well targeted, they can be useful tools to fight against poverty by offering temporary employment. Establishing a low wage level is important to assure that the program reaches poor families and workers who really do not have alternative job options. As active labor market programs, public works are less effective. The majority of evaluations in developed and transition countries show that participants are no better off, and may be worse off, in terms of finding employment after the program. In some countries, negative post-program impacts may result from a stigma associated with past involvement in public works. However, there are some exceptions to this largely unfavorable track record. Also, it is important to monitor impacts well after program participation has ended. In some

evaluations, a positive employment effect disappears if the worker has not found a job immediately after the program.

4.7 Micro-Enterprise Development Assistance/Self-Employment Assistance

These programs are intended to support the start-up and development of self-employment endeavors or micro-enterprises. They usually include some form of financial assistance (credits, allowances, grants), often supported by technical services such as training, counseling, and assistance in developing and implementing a business plan. Programs may screen participants on the basis of a feasible business plan. These programs may be targeted to particular groups or made more generally available to unemployed workers. There is only a small pool of evaluations which reflects the limited use of these programs compared to other ALMPs. We have 13 evaluations of micro-enterprise or self-employment assistance programs, seven from the 1999 report and six new ones. All but two use a quasi-experimental methodology.

4.7.1 Assessment of Results

The earlier reviews by the World Bank and the OECD were somewhat tentative, given the limited number of available scientific evaluations. They did suggest that these programs can help a small subset of the unemployed population – specifically better educated, and often male. While these reviews provided some optimism about the potential effectiveness of self-employment/micro-enterprise assistance programs, there are a number of qualifications. Take-up rates are very low (5% or less, at least in OECD countries) because the large majority of workers do not see self-employment as a possibility. The high rates of new-business failure – whether assistance is provided or not – mean that these types of interventions entail considerable risk.[28] Also, while deadweight and displacement costs may be important, these effects have generally not been fully considered.

Table 11 summarizes the updated picture, adding the six new studies to the seven taken from the 1999 review. The orientation of many of these evaluations is to assess whether these programs can effectively support business start-up, rather than to evaluate

[28] Dar and Tzannatos (1999) had no data on whether assistance programs affected the survival rates of new businesses, relative to a control group.

whether they can help unemployed workers find employment and improve earnings. The table includes a business survival-rate indicator instead of the employment indicator used for the other programs.[29] The evaluations show that these programs usually are associated with high rates of business survival but this is not a net indicator since it does not involve a comparison with a control group . Only five evaluations have results on earnings impacts (four from industrialized countries) with mixed results.

Table 11: Summary of Evaluation Results for Micro-Enterprise Development/Self-Employment Assistance Programs

	No. of Evaluations			Survival Rates of Micro Enterprises		Impact on Earnings (Number -- all studies)	
	1999 study	New	Total	High (*)	Low (**)	Positive	Non-positive
Developed countries	5	4	9	7	2	2	2
Transition countries	2	2	4	1	-	1	-
Developing countries	-	-	-	-	-	-	
All studies	7	6	13	8	2	3	2

(*) Predominant effect either in the short or long term, depending on the study methodology. Totals on earnings impact do not add up to sample total because some studies did not consider both types of impact.
(**) Not statistically significant, no effect, or negative results.

4.7.2 New Evaluations

The six new evaluations include four from industrialized countries and two from transition countries. The results suggest that self-employment assistance programs can have favorable impacts on the limited group that takes them up. The Canadian program showed a statistically significant and sizeable positive earnings gain for participants in the year following the program. A recent Swedish study compares outcomes for the self-employment assistance program with an employment subsidy intervention and finds that the self-employment assistance program participants had a significantly lower probability of future unemployment.[30] On the other hand, the German evaluation – while not examining traditional ALMP-evaluation impacts – had unfavorable results. Subsidized companies had a significantly lower survival rate than companies with otherwise similar characteristics.

[29] The implication of the employment-impact indicator is different in the case of this ALMP since individuals will report (self) employment as long as the business has not failed.
[30] Note, however, that the comparison in this study is not with a traditional control group.

Furthermore, those companies that did survive had no higher growth in the number of employees than the unsubsidized ones.

The evaluations from transition economies come from Bulgaria and Romania and each has positive results. The Bulgarian self-employment assistance program increased the probability of re-employment by 43% and it appears that the program was successful in supporting sustainable businesses (Walsh, 2001).[31] Participants in the Romanian program had net earnings and employment gains.

4.7.3 Summary

The evaluation literature on the labor market impacts of ALMPs is thinnest in the case of micro-enterprise development and self-employment assistance programs. There are relatively few studies and of those that do exist, many are concerned with the program's effect on business development rather than on the future employment and earnings of participants. Furthermore, as noted above, the evaluations tend not to cover displacement and substitution effects which presumably could be significant in this type of intervention. With these caveats, it does appear that these programs can provide effective support for the small minority of unemployed workers who are interested in starting their own business. However, this finding is not universal – some evaluations show negative or insignificant effects. The literature does suggest that programs offering mentoring and business counseling, in addition to financial aid, are more likely to succeed than those only offering the latter. In the final analysis, much more evaluation needs to be undertaken to understand the impacts of programs to assist unemployed workers in starting their own business. This is particularly true in the case of transition and developing countries where little rigorous evaluation has been undertaken.

5. CONCLUSIONS

The updated evaluation evidence on active labor market programs largely reinforces the conclusions drawn from earlier reviews. Some ALMPs do have positive impacts, with favorable cost-benefit ratios. However, in many cases, programs have not improved the

[31] However, the period between participating in the self-employment program and the evaluation is short. The author suggested re-evaluating the program one year later.

future employment prospects of participants and, when they have, they have not always done so in a cost-effective manner.

Table 12 summarizes the findings from our review of over 150 evaluations. Employment services are generally the most cost-effective intervention: employment and earnings impacts are usually positive and, compared to other ALMPs, these employment services are inexpensive. Training programs for the unemployed can also have positive impacts on employment, though usually not on earnings. These programs are most effective when they are workplace-based. Other types of training programs – for workers involved in mass layoffs and for youth – address more serious challenges and generally have less favorable results. The interventions that are successful often feature an integrated package of services (education, employment, social, as needed) to complement the training. The evaluation evidence is also critical regarding the effects of direct job creation programs – wage and employment subsidies and public works. Recently, there have been some positive evaluations of subsidy programs but the overall picture is still unfavorable in terms of their net impact on the future employment prospects of participants. Public works can be a useful short-term safety net but, in most cases, they also do not lead to higher employment probabilities or earnings after the program has ended. Micro-enterprise development and self-employment assistance programs can be a useful tool for the small sub-set of workers who take them up; these are generally the better-educated among the pool of unemployed or eligible participants.

The new dimension of our review has been to consider the impacts of ALMPs outside the industrialized countries, which have been the near-exclusive focus of earlier assessments. We have been able to partially address this issue with a growing body of evaluations in transition and (to a lesser extent) developing countries. While we can now offer some preliminary assessments, many more evaluations will be required to draw more definitive conclusions.

Table 12: Summary of Impact Evaluations

Intervention	Summary of Overall impact	Comments
Employment services	Generally positive impacts on employment and earnings in developed and transition countries. Costs relatively low so cost-benefit ratio usually positive. Very little evidence for developing countries	Programs have most positive impacts when economy good. Impact limited where lack of labor demand. In developing countries, questions about coverage and effectiveness of these services, given informal LMs.
Training for unemployed	Positive impacts on employment but no overall effect on earnings in developed countries. Positive on both in transition countries. Evaluations in developing countries not positive (but few studies). More information on costs needed.	Program effectiveness benefits from on-the-job training and employer involvement. Women often seem to benefit more than men. Programs have most success when economy good.
Retraining for workers in mass layoffs	Often no positive impact on employment and earnings but there are exceptions. Very little evidence for transition and developing countries.	Better results may be achieved with integrated training and employment services.
Training for youth	Very negative impacts on employment and earnings in developed countries. Positive impacts in developing countries (Latin America), though few studies. No evidence from transition countries.	Youth employment problems more effectively addressed through earlier, education-related interventions. Training most effective when combined with other employment, basic education, and social services. Successful programs require intensive services and, thus, are costly.
Wage/employment subsidies	Overall negative impacts on employment and earnings in developed and transition countries. Very little evidence in developing countries.	Recent evaluations in developed countries more favorable (e.g., welfare-to-work programs). Programs may be more effective when combined with training. Deadweight and substitution effects likely important but often not fully assessed.
Public works	Overall negative impacts on employment and earnings in developed and transition countries. Very little evidence on LM impacts in developing countries, despite widespread use.	Can be effective as a short-term safety net for the poor but generally not as program to improve future LM prospects.
Micro-enterprise /self-employment assistance	Not enough LM-oriented evaluations to determine overall employment and earnings impacts.	Very low take-up. Some evidence of positive impacts for older, better-educated individuals. Results likely better when technical and advisory services accompany financial aid.

What can we say about the impacts of ALMPs in developing and transition countries? Many findings from industrialized countries do seem to apply broadly to transition countries

but – on the basis of what is still a small sample of studies -- this is not always true in the case of developing countries. The much larger informal labor markets and weaker capacity to implement programs may limit what some programs can achieve in terms of creating formal employment or increasing wages. The few evaluations in these countries for employment services and training programs for the unemployed are less positive than the (much larger) body of evidence in the OECD and transition countries. On the other hand, some youth training programs in developing countries have much more positive impacts than are seen in industrialized countries. It may be that such programs in these low-income labor markets have more potential because abundant supplies of skilled workers are not available. The sample of evaluations outside the OECD is still limited, especially in developing countries, and further studies will be needed to confirm these initial observations.

While further evidence may reveal differences in the impact of ALMPs in countries at different stages of development, the ingredients for successful interventions probably do not differ. Comprehensive packages of services, programs that are oriented to labor demand and linked to real workplaces, and careful targeting are good examples. Finally, the evaluations underline the fact that program outcomes are usually better when the economy is growing.

Knowledge on the impacts of ALMPs is improving but many policy-relevant questions remain, especially in the context of developing and transition countries. Four key issues for future attention can be highlighted, although the fact that these are gaps in our knowledge reflects practical difficulties in incorporating these issues into evaluation studies. First, what are the longer-term effects of these programs? Evaluations usually do not track post-program outcomes for more than one or two years so we do not know whether benefits dissipate or emerge after the evaluation period. Second, what are the general equilibrium effects? Since many studies do not fully estimate the deadweight, substitution, and displacement effects, we often do not know what impacts the programs may have on non-participants and on the functioning of the labor market. Third, are programs cost-effective? Impacts are only one-half of the story for evidence-based policy-making -- the ultimate economic criterion for resource allocation should be whether social returns exceed costs. However, many evaluations cannot offer definitive evidence on this because they do not fully consider program costs. Finally, the evaluation literature provides insights into what works

but far less on why. Ultimately, policy-makers need to understand what circumstances and design features explain effective outcomes for specific groups (Martin, 2000).

Despite the mixed evaluation picture, governments, faced with the economic and social problems associated with large numbers of unemployed and poor workers, have little choice but to use active programming as one instrument in their response. They should be realistic about what ALMPs can achieve and allocate resources on the basis of cost-effectiveness. The challenge, then, is to learn from existing experiences, investing in programs that have positive returns and altering or dropping programs that do not. If ALMPs are going to be an economically useful policy, it is very important that governments carefully evaluate their own programs and introduce interventions on the basis of what works domestically and in other countries.

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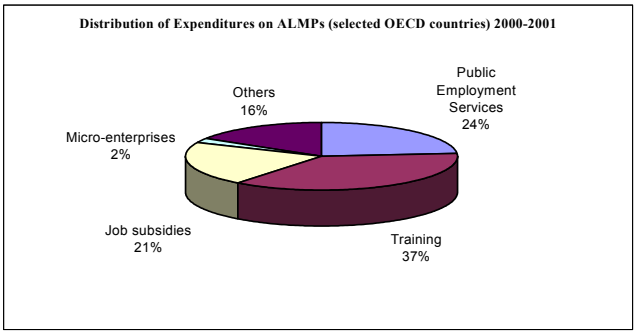
Annex 1: Expenditures on Active Labor Market Programs in OECD Countries



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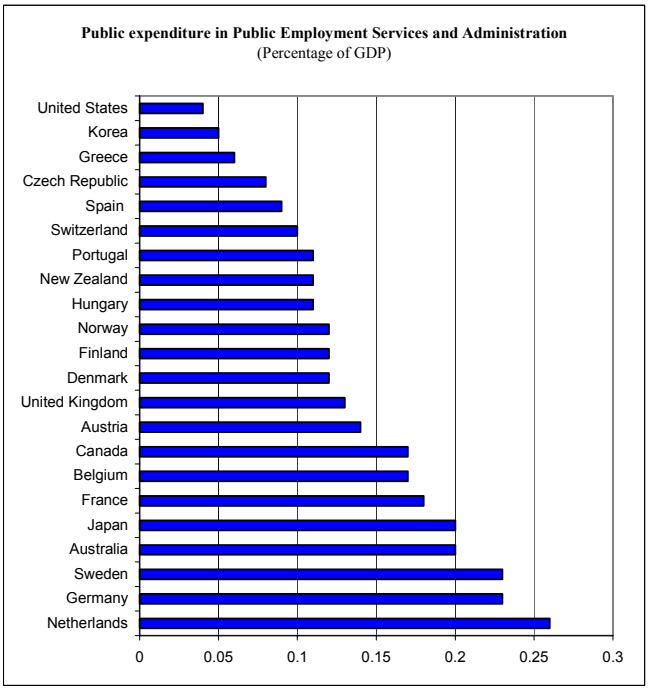

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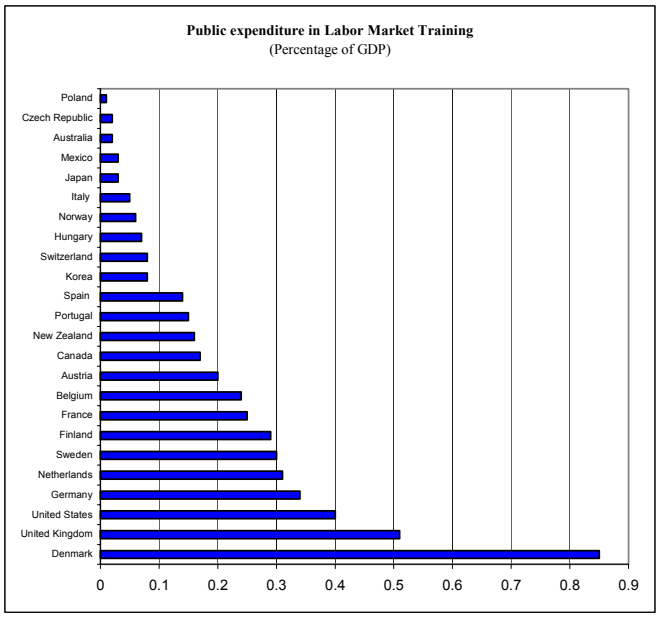

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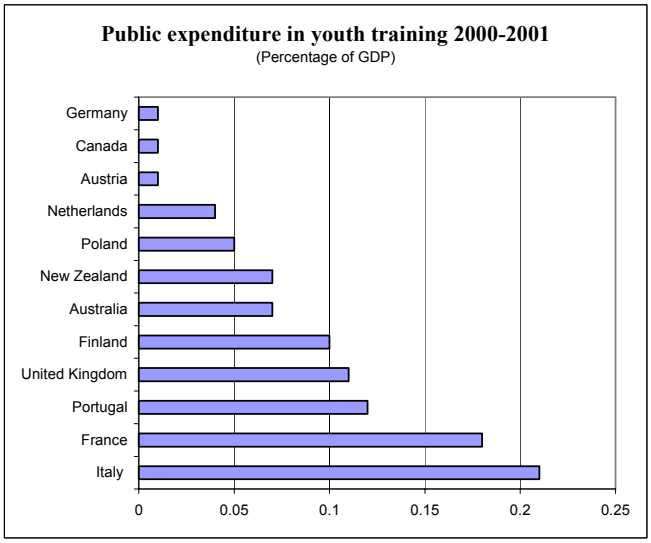

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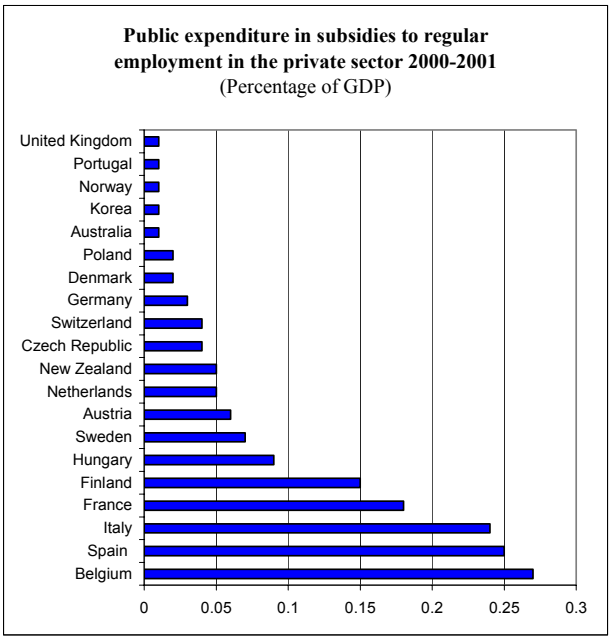

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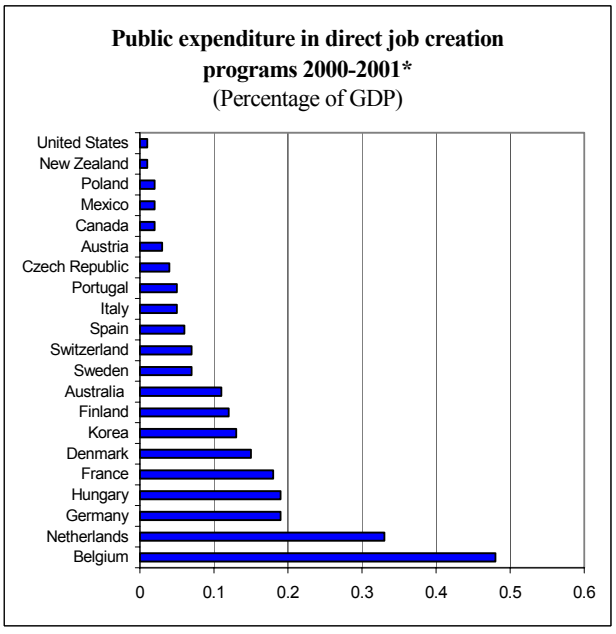
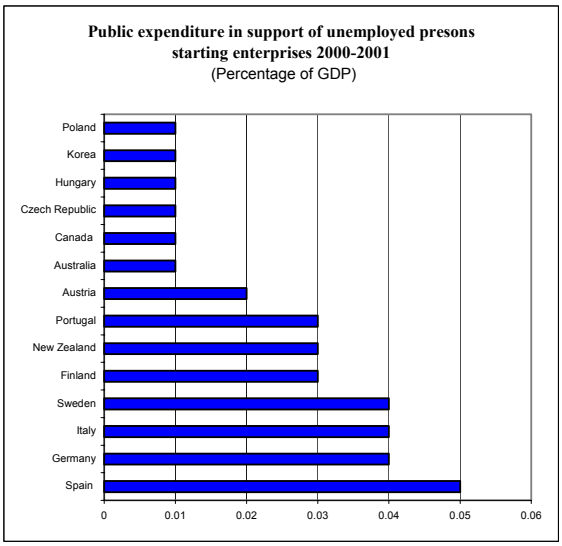


**Include public or non-profit jobs.*
Source: OECD Employment Outlook 2002.



Source: OECD Employment Outlook 2002.

Annex 2: Summary of Recent Evaluations of Active Labor Market Programs

Job Search Assistance / Public Employment Services				
Labor Market Issue	**Intervention Design**	**Type of Evaluation**	**Result**	**Comments**
OECD / Developed countries				
Australia. Job Clubs Period 1993- 1996 [Stromback et al., 1999]	Job clubs provide jobseekers with instruction in job search techniques and support. Also aimed to improve employment prospects by increasing jobseeker's self esteem, confidence and job search efforts.	Logit on the probability of staying in the labor force and on employment.	The program has no significant effects on either probability of staying in the labor force or finding a job.	The period examined is not discussed, so it is difficult to establish how long after participation that status is observed.
Great Britain. New Deal for the Young Unemployed. Significant youth unemployment, especially among lower educated and less skilled. Period 1998- 2002 [Van Reenen, 2003]	After 6 months of unemployment, 18-24 years olds enter a "Gateway" period where they are given extensive job search assistance. If they are unable to obtain unsubsidized job, then they can enter one of four New Deal options: job subsidy, training, environmental task force or voluntary work.	Quasi-experimental. Econometric combined with matching.	Young unemployed men are about 20% more likely per period to gain jobs as a result of the New Deal. Part of this effect is due to subsidized jobs, and part a pure "Gateway" element (enhanced job search), at least one fifth of the total effect. The cost benefit analysis suggests that the program is worth continuing.	The New Deal treatment effect comprises the effects of both the job assistance/monitoring element of New Deal and the wage subsidy element. The small sample size for women does not allow to obtain precise estimates for women. Most estimators for women are statistically insignificant.
United States. Job Search Assistance Demonstration. Re-employment problems of permanently laid-off workers have received national attention since 1980s. Washington DC and Florida. Period 1995-1996 [Decker, 2000]	The Job Search Assistance Demonstration had three service strategies: -Structured Job Search Assistance (SJSA): orientation, testing, workshop, assessment interview). -Individualized Job Search Assistance (IJSA): assigned claimants to services based on their assessed needs. - Individualized Job Search Assistance with training IJSA+): Identical to the second one plus the inclusion of training.	Experimental. Regression Analysis with follow-up survey data.	JSA treatments present uneven impacts on employment and earnings. The SJSA group in D.C. generally had higher earnings and the differences tend to be statistically significant. The estimated impacts of SJSA on earnings in Florida and the estimated impacts of IJSA and IJSA+ on earnings in both states tended to be smaller and not statistically significant in most cases. JSA treatments were not generally cost-effective.	Costs of the program were between $97 and $286 per claimant. The rates of return are in general negative, because the estimated reduction in unemployment insurance payments caused by treatments were not large enough to fully compensate for the costs of services. However, from society's perspective as a whole the program has positive rates of return (from 826% to391%) in Washington DC. In Florida the rates of return are negative by large, between –416% to –59%.
United States. Public Labor Exchanges. Washington and Oregon Period 1987 –1998 [Jacobson and Petta, 2000]	Direct placement services provided by public labor exchanges to job seekers.	Quasi experimental. Complementing the evaluation with a mail survey.	Job seekers with strong work records experienced a 7.2 week reduction in their duration of unemployment compared to control group and reduces the time for placing job seekers with spotty work experience in 3.4 weeks. The increase of earnings was $1,872 and $684 for job seekers with strong and spotty work records, respectively. The benefit-cost ratio was 1.8 for the sample studied.	Results for a pilot sample. It is not clear that the results are representative for all placements.

Job Search Assistance / Public Employment Services				
Labor Market Issue	**Intervention Design**	**Type of Evaluation**	**Result**	**Comments**
Transition Countries	**Intervention Design**	**Type of Evaluation**	**Result**	**Comments**
Czech Republic. [Terrell and Storm, 1999]	District labor offices act as job brokers. This service is open to all registered unemployed.	Competing risk hazard model. The study evaluates impact of the program considering either job found through labor offices or by individual.	Program reduced unemployment spells for groups that tend to have longer unemployment spells.	
Macedonia. Counseling Period 1994-2000 [World Bank, 2002b]	Job counseling, labor market information, job search.	Quasi-experimental.. Logistical regression analysis.	Positive and significant impact on its participants' opportunities. 14% of participants found a job because of the program.	
Romania. Employment and Relocation program. Period 1999-2001 [Benus and Rodriguez-Planas, 2002]	Clients eligible for this service were offered: job and social counseling, labor market information, job search assistance, job placement services and relocation assistance.	Quasi-experimental. Propensity Score Matching.	Positive impact on current employment (7% of higher likelihood of being employed) . The program reduced the length of the current unemployment spell. Positive impact on current earnings. Strong positive impact for males and a zero impact for females.	
Developing countries	**Intervention Design**	**Type of Evaluation**	**Result**	**Comments**
Brazil. National System for Employment (SINE). Job placement for unemployed workers. Period 1999 [Woltermann, 2002]	SINE agencies provide assistance in job placement and job matching to the unemployed.	Quasi-experimental. Multinomial logit models. Data from a pool of Monthly Employment Surveys.	Public employment service shows negative effects for the transition into self-employment or inactivity. Most of the job searchers in Brazil recur to channels that involve directly asking an employer or friends and family. Search channels that provide collection of information on vacancies are only used by a small share of workers.	A previous evaluation of Brazilian Ministry of Labor (not available) has shown very poor performance in most SINE agencies.
Uruguay. Labor Market information services. [Fawcett, 2001]	No information provided.	No information provided.	Employment impact is linked to the youth education profile; unskilled workers with low education have limited amounts of "information", higher educated youth have more information. Greatest gains to higher educated youth workforce in formal sector. Reduces search time (opportunity cost) to entrant and hiring cost to employer.	The study summarizes some findings from Latin American programs. The primary evaluation source not found.

Training (LT Unemployed)				
Labor Market Issue	**Intervention Design**	**Type of Evaluation**	**Result**	**Comments**
OECD / Developed countries				
Australia. Period 1994-95 [Stromback et al, 1999]	Consist of both skills training and employment training. The latter included work experience, especially aimed at long-term unemployed.	Logit on the probability of staying in the labor force and on employment.	For both males and females there is a significant positive effect of employment training, while there is no effect of skills training.	
Belgium. Persistent unemployment in Belgium, who has one of the highest shares of long-term unemployed in OECD. Period 1989-1993 [Cockx and Bardoulat, 1999]	Vocational classroom training, mostly consisting of basic skills required in particular vocations. Participation is voluntary and any unemployed can apply. Participants are then selected based on their "motivation". Median length of training is 2 months.	Minimum Chi-Square estimation to transform the transition model between employment and unemployment into a linear regression model. The authors analyze only spells of unemployment with 6 moths or more of duration.	Training found to considerably speed up the transition rate out of unemployment. However, if the worker is still unemployed after participation in the program, the rate at which unemployment is left is 62% higher than in the absence of training. The returns to training are rapidly diminishing.	Not possible to determine among the different types of training. According to the authors, program induces non-participants to postpone their exit out of unemployment.
Belgium. [Cockx et al., 1998]	There are both classroom training organized by public institutions and on-the-job training in private firms. The length of training and job guaranty depends on the program (the latter only for on-the-job training participants).	Hazard model of length of employment with corrections for selection and bias from sampling method.	On-the-job training lengthens job tenure significantly, although the magnitude is sensitive to specifications. The pure training program has positive but insignificant effect on the length of the job tenure.	
Canada. Period 1988-1991 [Park et. al., 1996]	Training programs for unemployment insurance claimants. -Feepayer option: claimants are exempted from having to search for a job while taking training. -Part-time training. -Job Development for long term unemployed -Job Entry for women re-entering labor force after an absence of at least three years. -Skill Shortages program.	Quasi-experimental to estimate program impacts on both employment and hourly wages. Difference-in-difference estimators.	Impacts for skill shortages, feepayer and job entry are all large in size and highly significant, while those for part-time training and Job Development are positive but generally not significantly different from zero.	The study summarizes key findings of an evaluation of five government-sponsored training programs in Canada. No explanations provided to explain the differences in the impacts of the programs.
China (Hong Kong). Industrial restructuring in Hong Kong with many manufacturing firms moving to mainland China. Period 1994 -1999 [Chan and Suen, 2000]	Originally designed for displaced workers, but later expanded significantly in coverage. Two types of courses: core and skill. Core courses are typically one-week aimed at building self-confidence and enhancing knowledge of job market and interviewing techniques. Skill courses last more than a month either full- or part-time; most are in general skills (language, computers).	Fixed effects estimation of earnings. Random effects probit of employment status.	Core training is found to have no significant effect on earnings. Skills training is generally associated with lower earnings, although the effect is insignificant. The effect of participation in skills training is uniformly negative and significant on employment and earnings. The improvement on earnings is $400 less than the comparison group.	

Training (LT Unemployed)				
Labor Market Issue	**Intervention Design**	**Type of Evaluation**	**Result**	**Comments**
Great Britain. Employment Training (ET) and Employment Action (EA). Persistent long-term unemployment in Britain during the last two decades. Period 1998-1999 [Firth, 1999]	ET and EA are programs for adults who had been unemployed and claiming benefits for 6 months or more.	Matching using a discrete time hazard model of event histories.	Over half of participants in ET received a formal qualification: on average 6 months' job training and work experience. EA had focus on work experience and was much smaller than ET. Positive effect of participation in ET on the hazard rate of entering a job, both while in ET and afterwards. The effect of EA was not significant.	Matching done on sex, age, local geographical area and prior unemployment.
Great Britain. Training for Work (TfW) Program for the long-term unemployed. Period 1995-97 [Payne, 2000]	TfW included: employer placements, project placements –trainee worked with a voluntary organization- and full-time off-the-job training.	Quasi-experimental. Matching.	TfW had a positive impact on employment prospects. In the year and a half after leaving TfW, participants spent on average around one extra month in seven in work, in comparison to the control group. Most of the employment gains associated with the program came from an increased chance of getting a full-time job as an employee. Participation did not affect hourly wage rates.	
Germany. Large increase in unemployment in East Germany after unification with West Germany. Period 1989-1994. [Kraus et al., 1999]	Three types of public training exist: Short training courses (6 weeks), continuous training in current occupation (7-12 months) and retraining (12-24 months).	Hazard rate models with accounting for selection bias and unobservable heterogeneity. Employment after training is divided into stable and unstable.	Training between January 1989 and August 1992 had a negative impact on the chance of finding stable employment. Training given between September 1992 and November 1994, when the institutional structure for the programs was in place, increased the probability of finding stable employment for both men and women.	Uses Labor Market Monitor (LMM) data. There is no separate analysis of the three different types of training, although the expected return must be very different.
Germany. Continuous vocational training and retraining (CTRT). Large increase in unemployment in East Germany after unification. Period 1990- 1996 [Lechner, 2000]	CTRT consists of three types, although only continuous training within the current occupation and retraining to a new occupation are analyzed (they account for 90 per cent of all entries). The training is 99% classroom training. Average duration of training is 12 months.	Matching, using the exogeneity of the unification as identifying condition.	The effect immediately after training is additional unemployment, although this effect disappears after some months. Overall, there is no significant effect of participation in training, which is thought to be due to the reduced search efforts during the training.	The study includes both employed and unemployed in the sample since both were able to receive the training, although the longer somebody had been unemployed the better chance they had for receiving training.

Training (LT Unemployed)				
Labor Market Issue	**Intervention Design**	**Type of Evaluation**	**Result**	**Comments**
Germany. Large increase in unemployment in East Germany after unification. (Same programs evaluated above but with different data). Period 1991-1994 [Eichler and Lechner, 2000]	Two training programs: - On-the job-training (OJT). Several months of formal training with an external provider. - Training subsidized by the labor offices, includes continues training (CT) and retraining for a new occupation (RT). To participate in CTRT an individual must already hold a profession.	Quasi-experimental. Matching.	-Future unemployment probabilities: No significant effects of OJT. CT/RT presents a short-term negative effect. -Monthly Earnings: Positive effects from OJT in the second year after completion. The earnings are higher for those not in highly qualified and/or managerial job positions. No significant effects on earnings of CTRT participants.	The study is an update of previous evaluations of the same author (Lechner).
Germany. Large increase in unemployment in East Germany after unification. Period 1990-94 [Fitzenberger and Prey, 2000]	Training consisting of either continuous vocational training or retraining for unemployed. The study looks only at program participants who have received financial support in addition to the training.	Quasi-experimental. Evaluates the impact of public sector training programs on individual employment probabilities and wages.	Findings mostly suggest positive, though only partially significant, long-run effects of training on employment or wages. However, when doing sensitivity tests the positive employment effects appear quite stable across estimated models. Strong state dependence in employment: the probability of being employed in the next period is considerably higher when employed in this period.	The difference-in-difference is the difference between the estimated parameters of dummies indicating participation in the past and participation in the future.
Germany. Public sector sponsored training. East Germany after unification. Period 1990-1993 [Hujer and Wellner, 2000]	No details of training characteristics are provided.	Quasi-experimental. Matching.	No significant effects. No evidence that participation in public vocational training significantly decreases unemployment duration or increases employment duration.	
Korea. Promote re-employment for the unemployed. Period 1998-1999 [Kang and Lee, 2001]	Anyone who had worked at employment insurance applicable establishments is eligible for re-employment training for the unemployed.	Quasi-experimental. Matched pairs comparisons and hazard model.	Re-employment rates not significantly different between participants and non-participants. However, when considering the point from which training participants actively begin to seek jobs, they are more successful in finding jobs.	No details of training characteristics are provided.
Norway. Labor Market Training program (LMT) targeted at unemployed adults. Period 1989-1994 [Raaum and Torp, 2000]	LMT covers about 40% of all ALMP participants. The program is organized as off-the job courses. Most courses are short, from 5 to 20 weeks. Courses are free of charge.	Quasi-experimental. Use of different models to estimate impacts.	All models report positive effects of being offered training, though not always significantly different from zero. Training effects with linear control models are about 15% to 20% of average post-training earnings.	Use of an internal comparison group of eligible persons who applied for training, but were rejected by the administrators due to limited capacity of the program. Authors mention that though the effects of training on earnings are quite large, the effects on permanent earnings are likely to considerably lower.

Training (LT Unemployed)				
Labor Market Issue	**Intervention Design**	**Type of Evaluation**	**Result**	**Comments**
Spain. National Plan of Training and Re-employment. Period 2000-2001 [Arellano, 2002]	Specific skills training in various sectors. Youth, women, disabled workers and immigrants eligible.	Quasi-experimental. Estimates of Kaplan-Meier for "survival analysis".	Training courses have positive effect reducing the probability of remaining unemployed, though are not so effective as continuing in formal education. Groups that benefit the least are women, older workers and disabled workers.	
Switzerland. Rapidly rising unemployment. Period 1992- 1997 [Prey, 2000]	Three courses are analyzed. The basic general training (for newly unemployed), which lasts about 10 days. A German language for foreigners course of 10-12 weeks duration. Computer courses: from introduction to PC to highly specialized courses.	Matching with subsequent probit estimation of the effect of participation on chance of being employed.	Both the general basic and the computer courses have significant negative impacts on the probability of being employed, while the German course shows large and significant positive effects.	
Sweden. Training replacement. Labor market programs to face the deep and sudden recession of the early 1990s. Period 1994-1999 [See also Wage subsidies] [Sianesi, 2001]	Training replacement. The aim is to enhance skills of employee while providing an unemployed individual with work experience in a regular job.	Quasi-experimental. Matching. Differential program effects and the effect of joining a given program vs. waiting longer in unemployment.	All the programs initially reduce participants' employment probability in the short term (lock-in-effect: less search because occupied with training). Positive findings on more long-term employment prospects are confined to job subsidies alone.	According to the author, a likely factor behind these disappointing results is the use of such types of programs simply as a way to re-qualify for unemployment benefits.
Sweden. To increase unemployed workers' employment prospects augmenting their human capital or work habits. 1995-1999 [Carling and Richardson, 2001]	Many programs: subsidized on the job training, trainee replacement schemes, work placement scheme, labor market training by providing skills necessary for particular jobs in excess demand. Some programs might be similar to the above ones. Difficult to be precise.	Hazard Regression Model. Focus on what type of programs reduces the duration of unemployment on participants, and, if the relative efficiency across programs vary between demographic and skill groups.	Programs in which the participants obtain subsidized work experience and training provided by firms have better outcome than classroom vocational training. The relative efficiency is similar across demographic and skill groups and independent of the timing of placement.	Comparison of effectiveness across eight programs.
United States. Workforce Development System. Period 1997-2000 Nine programs in Washington State. [Hollenbeck, 2003]	Programs are quite diverse. Five of the programs serve job-ready adults (unemployed): community and technical job training, private career schools, apprenticeships, JTPA Title III programs and community and technical college worker retraining. Two of the programs serve adults with employment barriers.	Non-experimental.	Short-run employment impacts are positive for seven of the nine programs and negative for the other two. Impact ranges from 3% to 12% of higher probabilities of employment. Short-run earnings impacts are insignificant for four of the programs, negative for two and positive for the remaining three. The benefit cost analyses show positive results for all programs.	

Training (LT Unemployed)				
Labor Market Problem	**Intervention Design**	**Type of Evaluation**	**Result**	**Comments**
Transition Countries	**Intervention Design**	**Type of Evaluation**	**Result**	**Comments**
Bulgaria. Professional training for unemployed Period 1998-1999. (See Public Works) [Walsh, K. et. al., 2001]	Professional training for unemployed in accordance with labor market need, with an allowance paid equivalent to 60% of the individual's benefit entitlement. It can be job guaranteed or non-guaranteed.	Matching pairs and logistic regression adjusted estimates to analyze re-employment probabilities of individual participants.	Both guaranteed or non-guaranteed job training increase employment compared with the control group, with a 10% of greater probability.	
Macedonia. "New Employment" Period 1994-2000 [World Bank, 2002b]	The target group for this training was unemployed people in general recruited through advertisements.	Quasi-experimental.. Logistical regression analysis.	The probability of being employed was approximately 14 times higher for participants in the program compared to non-participants.	
Poland. Public financed further training and retraining. Period 1992-96 [Kluve, et.al. 1999]	Public financed further training and retraining (no information on selection). Relatively short courses	Matching	Positive short-term effect on post-treatment employment for both males and female in comparison with non-participation. Only positive effect for females in medium term.	
Poland. Publicly financed off-the-job training and retraining. Similar programs than the ones above but using subdivisions in matched samples. Period 1992-96 [Kluve, 2002]	Publicly financed off-the-job training and retraining. Training for individuals that have experienced at last one spell of unemployment during the observation period.	Exact matching using previous labor market history.	For both men and women there is a positive and significant effect on employment probability in comparison to the control group (13.8% greater probability).	Little information on the exact nature of the program. Refers to previous studies. Analysis seems to be very well done, although the sample sizes are small.
Poland. Training for unemployed. Period 1990-1997 [Puhani, 1999]	Training courses usually last from 3 to 6 months and most are taught in classrooms. Training within firms is possible as well.	Two methods used: Matching and multinomial logit duration models. The duration models include unobserved heterogeneity.	Training has positive effects for both men and women, but the effect is only significant for men. These results are identical for both models.	The Polish economy was growing strongly throughout at least the latter part of the period in analysis.
Romania. Training and Retraining Services. Period 1999-2001 [Benus and Rodriguez-Planas, 2002]	Eligible clients for this service could receive op to nine months of training. Cost of training was limited to $560 per unit.	Quasi-experimental. Propensity Score Matching.	Positive and significant impact on employment. The program increased the likelihood of employment by 10 %. The program had no impact on earnings. The effect is entirely attributable to the large impact for females	
Slovakia. Publicly financed retraining for unemployed. Period 1992-1997 [Lubyova, 1999]	Publicly financed retraining for unemployed. Average duration of courses is 8 weeks. No information on content.	Multivariate duration model with selection (to account for endogenous program take-up).	Positive effect on transition to employment for both men and women. No information on medium- to long-term effects.	

Developing countries	Intervention Design	Type of Evaluation	Result	Comments
Argentina. Proempleo experiment. Heavy retrenchment by main employer in "company towns". Period 1998-2000 [Galasso et. al., 2001]	One random sample of the program received a voucher that entitled a private sector employer to a wage subsidy that covered part of the total wages paid to the employee. A second sample received only training.	Randomized experiment. Use 2SLS to account for endogenous compliance (mainly for the training component).	Training had no significant impact. Voucher recipients had a significantly higher probability of employment (6.1%), though their current incomes were not higher. The impact was largely confined to women and younger workers.	Participants in the temporary workfare program were divided into three groups: Vouchers, Vouchers and training, and control. 30% of those offered the training did not take it up.
Colombia. "Servicio Nacional de Aprendizaje" (National Learning System) (SENA). Period 1996-1997 [Medina and Nunez, 2001]	SENA is aimed to promote efficiency in the labor market through job training –training for youths, labor adaptation for change and aid to displaced population-, and in a lesser degree job search and advise to employers about trends in the labor market.	Quasi-experimental. Matching.	For all youths and adult males SENA has no significant impact in the short or long run. For adult females there are positive but not significant impacts in the short-run and larger and close to significant in the long run. No significant impact on earnings.	The study is focused on training activities but not necessarily for unemployed workers. It also includes a comparison of other public programs (aggregated) and private job training programs.
Mexico. Retraining Program on Employment and Wages (Probecat). Targeting at increasing earnings and employment for unemployed and displaced workers. Period 1984-1998 [Wodon and Minowa, 1999]	Trainees receive minimum wage during the training period (6 months) and the local employment office provides placement assistance.	Quasi-experimental. Hazard model to the length of employment search and probit model on program participation, using program availability at the local level as control variable.	The program does not have large positive effects on employment or earnings for participants. The study even shows negative impacts -but insignificant- reducing the length of unemployment in the case of men for the school-based training. It is not favorable in terms of cost-benefit. The program seems to be providing temporary safety nets through the minimum wage stipend rather than training.	This evaluation is a reevaluation of two previous ones in 1992 and 1994. The results of this third evaluation led to fairly different findings and policy conclusions in the sense that previous evaluations found positive and significant results of the program on employment and earnings.
Mexico. Probecat. See above. Period 1984-1998 [Calderon-Madrid and Trejo, 2001]	Probecat also has two modalities. The first, school-based training, consists of formal courses and training offered in institutions associated with government or private industry organizations. The second, mixed training, consists of on-the-job training in firms. Government pays an stipend and firms are required to hire at least 70% of trainees.	Quasi-experimental. Matching.	Impact of program varies across personal characteristics, regions and institutions. The on-the-job training is more effective than the school-based training. Institutions run by private sector outperform government-run ones. Hourly wage earnings for women were on average 12% greater compared with non-participation. For men, earnings are lower for participants. Cost benefit analysis is positive (provided number of days of work is taken into account).	This study goes further looking at impact on: -Frequency and duration of subsequent unemployment and income profiles -Differentiation by geographical zones.

Retraining in Cases of Plant Closures & Mass Layoffs				
Labor Market Problem	**Intervention Design**	**Type of Evaluation**	**Result**	**Comments**
OECD / Developed countries				
Australia. The Australian textile, clothing and footwear (TCF) sector diminished rapidly due to easing of trade restrictions with resulting large laid-offs. Period 1989 - 1993 [Weller, 1999]	Generous labor adjustment arrangements (not means tested) that encouraged retrenched workers to participate in retraining. No information on type of training attended.	Discrete-time event history on panel data. Does not account for selection into training.	The length of training had large and significant negative effects on the likelihood of finding a job for both men and women. The same case for vocational training, although the effects were not as significant.	Many of those laid-off had no formal qualifications and had problems with English language literacy. There appears to be evidence that training did enhance the prospects of those with relatively good re-employment chances.
Transition Countries	**Intervention Design**	**Type of Evaluation**	**Result**	**Comments**
Bosnia & Herzegovina. Assist in the reintegration of demobilized soldiers and displaced workers into the civilian workforce and to increase economic productivity. Period 1996- 1999 [Benus, J., et. al., 2001]	The Emergency Demobilization and Reintegration Project includes Labor Market Information Data Base, Education and Retraining Services, Counseling and Job-Finding Services, and Management Assistance for demobilized soldiers and displaced workers.	Quasi-experimental. Included a survey to participants and non-participants and then regression analysis using dummies for participation in the program.	The program increased the likelihood of employment by 43%. Wage and salary increased by 45%. The program had a positive and statistically significant impact on all subgroups by gender, age and level of education.	
Developing countries	**Intervention Design**	**Type of Evaluation**	**Result**	**Comments**
China. Reform of China's state-owned-enterprise (SOE) sector with resulting downsizing and rising labor redundancy. [Bidani, 2002 #3]	Shenyang: Uniform one month duration in classroom. Free training given to all laid-off workers. Quality of program varied greatly. Wuhan: Variation in length of training.	OLS (although propensity-score and log-odds ratio matching were also used).	Insignificant employment effect in Shenyang, but improved the likelihood of employment in Wuhan. No significant impact on earnings in either city.	Xiagang are persons who are laid off, but are still attached to employer to some degree (housing, health insurance, etc).

Training Geared Towards Youth				
Labor Market Problem	**Intervention Design**	**Type of Evaluation**	**Result**	**Comments**
OECD / Developed countries				
Canada. Youth Service Canada (YSC). Period 1994-1997 [HRDC, 1999]	YSC is designed to provide unemployed and out-of-school youths between 15 and 30 years of age an opportunity – within a project that lasts on average 6 to 9 months- to gain relevant work-related experince.	Quasi-experimental. Multivariate analysis. Linear regression models.	Participation in YSC had no statistically significant effect on earnings. In the short term, participants spent less time in the labor force and less time employed than would have been the case in the absence of the program. Employment insurance benefits were $183 lower per year as a result of participation in YSC.	Per participant cost of the program is $8,277, slightly higher than other similar programs.
France. High levels of youth unemployment in France. Period 1990 - 1992 [Magnac, 2000]	No description of types of training received.	Dynamic multinomial logit on a panel data set. Considering transitions between 6 labor market states to contrast short run consequences in terms of stable employment of training spell from consequences of unemployment spell.	Training schemes have no effects on the relatively likelihood of getting a stable job and do not increase the duration of a job spell if a job is found.	For people less than 25 training is the main (almost only) way of receiving benefits. For them training schemes are substitutes of unemployment, employment and schooling.
France. Youth unemployment. Period 1986 - 88 [Bonnal, 1997]	Six different work/training programs, which are aggregated into two categories, those provided by/in private firms and those provided by the state. The latter is referred to as "workfare", but does include a training program.	Mixed proportional hazard model with multiple spells and states and unobserved heterogeneity. Evaluation focused on durations of trainees' subsequent spells of unemployment and employment.	Participation in a private sector program increases likelihood of leaving unemployment for those with low educational levels, while there is no effect with higher levels. The public sector programs has no effect on those with low educational attainment and significantly negative on those with higher levels of education.	It is not always clear which type of program there is referred to and how much aggregation is used in different parts of the paper. The study looks only at males.
France. Youth unemployment This study examines the same programs that above one. Period 1986-1988 [Brodaty, 2001]	Programs are divided into those in the private and the public sectors. The ones in the private sector have a higher amount of vocational and specific training than those in the public sector. The lengths of the different programs vary significantly.	Quasi-experimental. Uses ratio of propensity score to look at the effects of multiple treatments. Competing-risks duration models are used to calculate propensity scores.	There are no significant differences between the different programs when looking at entry into stable employment. Among the programs the on-the-job training programs in the private sector seems to perform better than the programs in the public sector.	Focuses on the relative effectiveness of the different programs rather than comparing with no participation (which is mentioned as a topic for further research). One of the programs evaluated is closer to a public works program than a training program.
Sweden. During the crisis in the 1990s, youth unemployment grew rapidly. Period 1991-1997 [Larsson, 2000]	Two main programs: a) Youth Practice: directed at unemployed youth aged 18-24. It was a subsidized program and participants were placed in both private and public sectors. b) Labor market training for people under 20: to improve skills of unemployed job seekers.	Quasi-experimental. Matching, OLS, Probit.	Both youth practice and labor market training have negative short-term effects (one year after the program starts) on earnings and employment. The long term effects are mainly zero or slightly positive. The results also suggest that workplace practice is more effective that classroom training.	Results for youth practice are explained by insufficient planning and follow-up, as well as low-qualified tasks that did not provide any human capital accumulation.

Training Geared Towards Youth				
Labor Market Problem	**Intervention Design**	**Type of Evaluation**	**Result**	**Comments**
United States. The Job Corps program. 118 Job Corps campuses located throughout the United States. Period 1994-2000 [Gritz and Johnson, 2001]	The Job Corps program operates under provisions of the Workforce Investment Act of 1998. Participants are between 16-24 most without high school diploma. Services are delivered through Job Corp centers that provide: vocational training, academic instruction, residential, health and other services. The average participation period is 8 months.	Experimental. Data from periodic interviews conducted over a four-year follow up period. Impacts for youth characteristics were estimated by comparing the average outcomes of program participants and control group members.	Job Corps generated positive and statistically significant earnings impacts beginning in the third follow-up year, which persisted through the end of the four-year period. Average weekly earnings for participants were $16 higher than control group members (12% earnings gain). The program is cost effective.	Job Corps has a large residential component; about 88% of the students live at the centers while enrolled. The program has a high degree of federal direction with many regulations and contractual oversight.
United States. Center for Employment Training (CET) Replication Sites. Period 1997-2002 [Miller, et.al. 2003]	Replication in 12 sites across US of a CET that started in San Jose, Puerto Rico. CET enrolls trainees with little prescreening, providing training in a worklike setting, and requiring a full-time commitment from trainees.	Quasi-experimental. 30 month follow-up survey.	The CET model had few or negative effects on employment, earnings and income during the first 30 months. However, CET in some sites led to an increase in employment and earnings for females but had the opposite effect for males. In the sites that were less successful in implementing the CET model, the program reduced employment and earnings for less educated youth and for those younger than age 19.	One explanation for the difference of results by gender is that the majority of young women participated in accounting and office training. In contrast, young men received training in nonclerical jobs.
Developing countries				
Argentina. "Programa Joven" Increasing employability and productivity targeting activities to youth aged 16 to 29 in the lower socioeconomic levels. Period 1996-1997 [Aedo and Nunez, 2001]	The program offers training to facilitate formal labor force participation. The program covers two stages: technical knowledge phase and internship phase. To carry out training the "Ministerio del Trabajo" hires educational institutions through an international bidding process.	Quasi-experimental. Propensity score Matching estimator.	Program impacts on earnings were statistically significant for young males and adult females. Impact on employment was statistically significant for adult females only. The cost-benefit analysis suggests that at least 9 years of duration of the earnings impact for the program are required to have a positive net present value for the groups with statistically significant results.	Weakness of the program: No incentive for funding agency to focus on quality of training (similar to Chilean and Peruvian experience).
Brazil. National Plan of Professional Education (PLANFOR). To provide training for marginalized youths. Period 1996 – 1998 [Paez de Barros, 2002]	The program focuses on marginalized people, but not necessarily youths It is financed through a U$S 20 billion unemployment fund. Around $300 million of that goes to training approximately 1.3 million workers. The plan works with a fund overseen by a tripartite committee of government, enterprises.	No information provided.	The impact on unemployment and income is quite small. In some areas the program had positive and statistically significant impact on unemployment but not on incomes of those already employed. The new jobs for participants need to last more than 17 months for the program to have a net positive benefit.	Evaluation results presented in a World Bank publication (not from the primary source). The study was carried out only in the metropolitan regions of Rio de Janeiro and Fortaleza.

Training Geared Towards Youth				
Labor Market Problem	**Intervention Design**	**Type of Evaluation**	**Result**	**Comments**
Chile. "Chile Joven" To provide training and skills development among unemployed and underemployed low-income youths between 15 and 24 years. Period 1995-1997 [Santiago Consultores Asociados, 1998]	The basic service consists of a training and occupational practice package (6 months) aimed at attaining a semi-skilled level in specific trades. The labor practice component is carried out in a firm that assumes a tutoring role under the supervision of the executing unit (in central government).	Experimental. Surveys to treatment and control group. Logistic Regression Models.	Positive and significant effects increasing employment among youths. The subprogram of alternating (dual) training –that rotates training at a technical school and at a firm, with a labor contract- presents the largest effect. Impact is higher among youths aged 20 to 24 -- most likely for their higher education level-- and among men.	
Peru. "Projoven" Supplying semi-skilled training and labor experience to low-income young people in specific trades in demand in the productive sector. Period 1996-2000 [Grade, 2001]	Based on "Chile Joven" model. "ProJoven" is addressed at young people between 16-25 years from low-income households, with little or no labor experience, unemployed or underemployed. In particular, ProJoven focuses on marginalized young urban populations that find the greatest difficulties in getting a job.	Quasi-experimental. Matching and difference-in-differences.	Positive and significant net effects. The program allows an additional 6% of total participants to be employed. As opposed to non-treatment The program also increased hourly wages in by18%. Participants work 5.5% additional hours per week. The program also reduces occupational segregation by gender and increased the probability of working in larger firms.	The study included participants that had completed the training six months earlier. Use of Duncan Index to estimate occupational segregation by gender.
Uruguay. Uruguay Pro Joven. Period 1996-1997 [Naranjo, 2002] [Fawcett, 2002]	Short-term training and in-firm subsidized employment for 6-12 months. Young population aged 17-24.	Experimental. Surveys to treatment and control group.	Probability of employment increased by 60%. Reduction of search time by 8.5 months, with strong gender impact. Quality of new employment is higher. Increase in salary depends on type of training but varied between 20% and 18% of higher earnings with the control group.	Not mentioned how long ago ex-post group had completed the program. The study summarizes evaluation results. Primary sources have not been found.

Wage / Employment Subsidies				
Labor Market Problem	**Intervention Design**	**Type of Evaluation**	**Result**	**Comments**
OECD / Developed countries				
Australia. Period 1993- 1996 [Stromback et al., 1999]	Provided support for long-term unemployed through wage subsidies paid to employers. The level and duration varied with the jobseeker's level of disadvantage.	Logit on the probability of staying in the labor force and on employment.	For both men and women there is a significant and positive effect on the probability of working.	The period examined is not discussed, so it is difficult to establish how long after participation that status is observed.
Belgium. [Cockx et al.,1998]	Pure wage subsidies, which are often targeted at specific disadvantaged groups. Maximum duration of payment is between 12 and 24 months.	Hazard model of length of employment with corrections for selection and bias from sampling method.	The impact of wage subsidies on job tenure is non-significant.	Not possible to disentangle the subsidized period from the after subsidy period.
Canada. Finding policies that encourage welfare recipients to work New Brunswick and lower British Columbia. Period Nov. 1992- Dec.1999 [Michalopoulos, et. al., 2002]	Self-Sufficient Project (SSP) offered a temporary earnings supplement to selected single-parent, long-term income assistance recipients. The supplement was paid on top of earnings from employment for up to three continuous years, as long as the person continued to work full time and remained off income assistance.	Experimental. Using a survey completed by participants about three years after they entered the study.	SSP increased full-time employment and earnings. To receive the earnings supplement, people had to begin working full time during the first year. By the second year, the program had doubled full-time employment. Most employment resulting was stable. SSP increased average earnings by about 30% over a three-year period. In the fourth year, the program increased earnings by $52 per person each month.	Project is focused on long-term welfare recipients.
Canada. Finding policies that encourage welfare recipients to work but preserve and adequate safety net. New Brunswick and the lower British Columbia. Period Nov. 1992- Dec.1999 [Lise, Seitz and Smith, 2003]	Self-Sufficient Project (SSP). (See above)	Non-experimental partial and general equilibrium estimates.	Equilibrium wages fall for those treated by the program after the introduction of the earnings supplement, as workers are willing to accept lower starting wages. General equilibrium results, in contrast with partial equilibrium, show an important dead weight loss of the program. In New Brunswick is approximately only 10% of the size of the net gain predicted by the partial equilibrium analysis.	The study evaluates and compares the predicted partial and general equilibrium effects of SSP to those in the SSP experiment. (See above).

Wage / Employment Subsidies				
Labor Market Problem	**Intervention Design**	**Type of Evaluation**	**Result**	**Comments**
Canada. Earnings Supplement Project (ESP). Attempts to help those hit by economic adjustment. Period 1995-1996 [Bloom, 1999]	Insurance against extreme earnings losses if another job found quickly and there is a reduction in earnings. Supplement payments up to 75% of difference (max $250 per week). Supplement paid to the unemployed.	Random assignment experiment. Small-scale test; 5912 person in total (half in control and half in treatment).	Small positive significant effect on rapid re-employment (the offer lasted for six months). The program increased the percentage of displaced workers who became re-employed full time during this period by 4.4. percentage points. This reflected a shift from part-time to full-time employment and an increase in overall employment. Average earnings during the 15 months follow-up period were $682 or 4.6% lower than they would have been otherwise.	Virtually no effect on the amount or duration of unemployment benefits received by the ESP group members. 20.5% of treatment group received supplement payments.
Germany. Large increase in unemployment in East Germany after unification. Period 1990-1994 [Eichler and Lechner, 2000]	Public Employment Program (PEP). The objective is to create additional jobs by providing a wage subsidy to an employer targeted at previously unemployed or at people who might become unemployed. The subsidy can be up to 100%	Quasi-experimental Matching.	PEP participation reduces future unemployment. For men the reduction in unemployment is mainly due to an increase in employment. For women, the increase in non-employment (out of labor force) is substantial as well.	The PEP employment might be used as a "trial period" to determine the work capacities of the participant.
Great Britain. New Deal for Young People. Period 1998- 2002 [Van Reenen, 2003]	After 6 months of unemployment, 18-24 years olds are mandated to enter a "Gateway" period where they are given extensive job search assistance. If they are unable to obtain unsubsidized job, then they can enter one of four New Deal options: job subsidy, training, environmental task force or voluntary work.	Quasi-experimental. Difference on differences. Main focus on evaluating the success of the program in moving people into jobs. For data restrictions, the evaluation only considers male participants.	Young unemployed men are about 20% more likely per period to gain jobs as a result of the New Deal (that includes wage subsidy and job search assistance). The wage subsidy appears to have had a significant impact on increasing jobs, at least in the first few months on the program. The cost benefit analysis suggests that the program is worth continuing.	The New Deal treatment effect comprises the effects of both the job assistance/monitoring element of New Deal and the wage subsidy element.
Switzerland. Period 1996-1999 [Gerfin, M., M. Lechner, et. al., 2002]	Two programs: A non-profit employment program (EP) - subsidized job in the non profit sector- and a subsidy for temporary jobs (TEMP) in firms operating in competitive markets.	Quasi-experimental. Matching with multinomial probit model.	Subsidies for temporary jobs in competitive firms (TEMP) have higher impacts in comparison to the "classical" employment programs (EP) operating in areas without much private competition. A year and a half after the start of the program, TEMP participants had 9% higher employment compared to EP or non-participants.	
Sweden. Labor market programs to face the deep and sudden recession of the early 1990s. Period 1994-1999 [Sianesi, 2001]	Employment subsidy eligibility for anyone older than 20 and with 6 or more months unemployed. For private sector employers only. Employer incentives: grant 50% of labor cost up to fixed amount.	Quasi-experimental. Propensity score multiple treatment matching.	Compared to waiting longer in open unemployment, all the programs reduce participants' employment probability in the short term. Positive findings on more long-term employment prospects.	The study evaluates the differential performance of the six main types of Swedish programs that were available to adult unemployed workers entitled to unemployment benefits in the 1990s.

Wage / Employment Subsidies				
Labor Market Problem	**Intervention Design**	**Type of Evaluation**	**Result**	**Comments**
United States. Welfare-to work programs. [Michalopoulos, at. Al. 2001]	After 1996 welfare reform, a number of states replaced voluntary welfare-to-work programs that emphasized education and training with mandatory programs that stressed quick employment.	Quasi-experimental.	Participants had higher earnings and lower welfare payments than non-participants, but generally had the same combined income from earnings, welfare, and Food Stamps. As a result, the programs generally neither increased nor decreased combined income. The programs increased earnings about as much for the more disadvantaged groups as for the less disadvantaged groups.	The study summarizes results of 20 welfare-to-work programs across eight states. Considered as wage/employment subsidy program because there is also a subsidy involved but paid directly to individuals as an incentive to work.
United States. Reemploying bonus to unemployment insurance claimants. Pennsylvania and Washington States. Period 1988-89 [O'Leary, et. al., 2003]	Bonuses might be offered using worker profiling in a two-step process. First, permanently separated workers are identified by screening out those expecting recall to their previous employer and those subject to an exclusive hiring hall agreement. The second step is to determine which of these permanently separated workers are expected to be long-term benefit recipients.	Statistical model to estimate the probability of benefit exhaustion.	Targeting bonus offers with profiling models similar to those in state Worker Profiling and Reemployment Services systems can improve their cost effectiveness. The best option is a low bonus amount with a long qualification period, targeted to the half of profiled claimants most likely to exhaust their UI benefit entitlement.	Cost-effectiveness analysis of reemployment bonuses.
Transition Countries	**Intervention Design**	**Type of Evaluation**	**Result**	**Comments**
Poland. "Intervention works". Rapidly increasing unemployment during transition in Poland. Period 1992-1996 [Kluve, 1999]	"Intervention Works" is a program that in essence gives job or wage subsidies in the amount of unemployment benefit. These wage subsidies are given to firms if they hire an unemployed person.	Quasi-experimental. Exact covariate matching.	Subsidy has no effect on unemployment of females and a strong negative effect for males, being worse than non-participation.	According to the author an explanation for these results is that participating in intervention works or public works might carry a stigma. Employers will not hire such persons as they perceive them as low productivity workers. A competing second explanation is "benefit churning".
Poland. After initial contraction in the Polish economy there was a robust expansion. Similar programs than the ones above but using subdivisions in matched samples. Period 1992-1996 [Kluve, 2002]	Wage subsidy (See above).	Quasi-experimental. Exact matching using previous labor market history.	Subsidy has no effect on unemployment of females and a strong negative effect for males, being worse than non-participation.	
Poland. During transition, Poland experienced very high unemployment in the beginning and thereafter an improvement. Period 1990 - 1997 [Puhani, 1999]	Any type of job can receive subsidy, which is paid out for 6 to 12 months. The completion of an "intervention works" job lead to a complete renewal of the 12 months unemployment benefits.	Two methods used: Matching and duration models. The duration models include unobserved heterogeneity.	There are significant negative effects (it would be preferable non-participation) of the program for both men and women, although the effect for men is larger than for women. Both models support these results.	Receiving wage subsidies also made men less likely to leave the labor force.

Wage / Employment Subsidies				
Labor Market Problem	**Intervention Design**	**Type of Evaluation**	**Result**	**Comments**
Slovakia. Socially Purpose Jobs. High share of long-term unemployed and relatively low outflow to jobs. Period 1992-1997 [Lubyova, 1999]	Socially Purpose Jobs are subsidized jobs in the private sector. Main forms of support are subsidies, interest repayments and loans.	Multivariate duration model with selection (to account for endogenous program take-up).	Negative effect on transition to employment for both men and women, although the effect for men is not significant.	
Developing countries	**Intervention Design**	**Type of Evaluation**	**Result**	**Comments**
Argentina. "Proempleo" experiment. Heavy retrenchment by main employer in "company towns" in Argentina. [Galasso, et. al. 2001]	"Proempleo" experiment. Received a voucher, which entitled a hiring employer to a wage subsidy of $150/month for those 45 and above and $100/month for those younger than 45 (min. wage was $200).	Randomized experiment. Use 2SLS to account for endogenous compliance (mainly for the training component).	Significant effect on employment in the private sector (six per cent relative to non-participation), but no significant effect on other outcomes. This effect disappeared in the third survey round (after 12 months). Women and those under 30 were the ones who saw significant impacts. Proempleo experiment was cost effective, given that take-up of the subsidy by employers was low.. Effect thought to be due to a "letter-of-introduction" effect.	Participants in the temporary workfare program were divided into three groups: Vouchers, Vouchers and training, and control. A possible reason for the low take-up is the costs associated with registering an employee. If the "letter-of-introduction" effect is important the results are unlikely to hold when scaling the program.

Public Works Programs				
Labor Market Issue	**Intervention Design**	**Type of Evaluation**	**Result**	**Comments**
OECD / Developed countries				
Belgium. The Social Employment (SE) program. Welfare agencies provides both welfare and employment programs. [Cockx, 2001]	In Belgium welfare agencies are subsidized to employ welfare recipients for a period sufficiently long to entitle them to benefits of the contributory social insurance program. This type of employment is called Social Employment (SE). The SE program provides participants with minimum wage jobs, mostly in community services.	Duration analysis using grouping/ aggregation to account for selection. This paper investigates the effect of SE on the exit rate from welfare.	The study proposed a grouping estimator of the SE effect that eliminates selection bias. The estimator is consistent, even if the selection into SE depends on the average unobserved characteristics of welfare recipients in a region and in a welfare duration interval.	Progression from welfare is not necessarily to employment, but may also be to unemployment or other states.
Canada. Canadian direct job creation programs (CDJCP). Period 1977- 1996 [HRDC, 1998]	Jobs that are of a short-term nature to reduce the number of unemployed and to reduce dependence on social programs. -Canada Works -Local Initiatives Program.	Focuses on the cost of job creation as an evaluation measure and results and conclusions from previous evaluations.	-CDJCP were generally found to be appropriate tools –in sense of helping employment and earnings- for certain disadvantaged labor force groups: poor population and women.	Evaluation lessons from a recompilation from programs implemented between 1977-1996. The study presents costs of the programs over time. Incremental cost per job varies from $4,200 to $26,700 across programs (1986 constant dollars). Cost effectiveness of CDJCP improved over time due to developing better program design, dropping ineffective elements and expanding better elements.
Transition Countries	**Intervention Design**	**Type of Evaluation**	**Result**	**Comments**
Bulgaria. Temporary Employment Program. Period 1998-1999 [Walsh, K. et. al., 2001]	Temporary Employment Program provides temporary work for a maximum of 5 months in public or private sector projects.	Matching pairs and logistic regression adjusted estimates to analyze re-employment probabilities of individual participants.	The involvement in the program hardly improves (2.5% net impact, statistically significant) the chance of the unemployed to have a regular job. This program is particularly effective for disadvantaged workers, the older unemployed and the long-term unemployed. It is also effective in regions of high unemployment compared to control group.	Among other ALMP in Bulgaria, this has the lowest net impact. In addition, the costs per additional job are the highest of all programs in Bulgaria.
Macedonia. Public Works Period 1994-2000 [World Bank, 2002b]	The basic aim was to carry out some public works and to give occupation to the unemployed.	Quasi-experimental.. Logistical regression analysis.	A net employment impact of 34% (the difference between participants and non-participants who currently have a job).	
Poland. The study evaluates three main ALMP: training, "intervention works" (kind of job subsidies) and public works. Period 1992-1996 [Kluve, 1999]	Direct job creation through public works mainly, but not exclusively targeted at long-term unemployed. Jobs have very low skill requirements. Recipient qualifies for additional unemployment benefit from staying in a subsidized job for 6 months.	Matching	The program has little effect on employment for both males and females. For men public works and "intervention works" have significant negative treatment effects, while participation in "intervention works" does not affect women's employment probabilities.	Poland spends little on ALMP and has low inflow into ALMP. Wage subsidies and public works received the highest funding. According to the authors, while stigmatization might have some role to play –employers will not hire such persons, as they perceive them as low productivity workers-, "benefit churning" explains most of the negative effects of employment programs.

Public Works Programs				
Labor Market Issue	**Intervention Design**	**Type of Evaluation**	**Result**	**Comments**
Poland. Direct job creation targeted on the long-term unemployed. Period 1990 - 1997 [Puhani, 1999]	Typical jobs are in construction or cleaning. Duration is between 6 and 12 months. Recipients qualify for additional unemployment benefit from staying in a subsidized job for 6 months.	Two methods used: Matching and multinomial logit duration models. The duration models include unobserved heterogeneity.	For both men and women there is a significant negative effect on the probability of exiting unemployment, although the effect is larger for men than for women.	The effects for women are based on a very small sample.
Romania. Public Works Community Job Creation Program. Period 1999-2001 [Benus and Rodriguez-Planas, 2002]	Public works projects had a maximum cost of $50,0000 and covered the cost of supervisory personnel and up to 6 months of program participants' stipends.	Quasi-experimental. Propensity Score Matching.	No impact on wage and salary employment or on self-employment. Modest reduction in the length of current unemployment spell. Insignificant impact for both males and females.	
Slovakia. Publicly Useful Jobs (PUJ) are short-term jobs in public works (community works). Period: 1992-1997 [Lubyova, 1999]	Public works program aimed at less qualified workers. The program covers wage costs and social insurance contributions. Maximum duration of jobs used to be 6 months, but now is 12 months	Multivariate duration model.	Positive effect on the transition to employment for both men and women. No information on medium- and long-term effects.	
Slovenia. High unemployment resulting from transition. [Vodopivec, 1999]	Direct job creation for the unemployed under the auspices of a public or non-profit organization. Jobs not to exceed one year (not binding for disabled or over 50 years of age).	Matching two-stage model with identifying variables.	Immediate positive impact on transition to employment, i.e. immediately after public works job has ended. The effect becomes insignificant if no job is found after 3 months after program.	
Ukraine. During transition, there was an overall restructuring of economy with new conditions of the reallocation of jobs and workers between a declining public sector and emerging private sector, and non-matching of this process. Period 1995-1999 [Olga, 2000]	Public works are used for disadvantaged groups at the labor market, in particular long term, and low-skilled unemployed.	Matching with Cobb Douglas specification.	Public works has a larger positive effect on the hiring of the unemployed than training just after the completion of the program. Public works program by itself is effective (significant) when participants find a match with available vacancies just after the completion of the program.	The study evaluates impact of the total measure of labor market policies in Ukraine but presents the results of public works program in contrast with training and retraining programs, public employment services, and others.
Developing countries	**Intervention Design**	**Type of Evaluation**	**Result**	**Comments**
Argentina. "A Trabajar" program**.** Sharp increase in unemployment in the mid-1990s in Argentina. Period 1990-1997 [Jalan and Ravallion, 2002]	Trabajar aims to provide short-term jobs at relatively low wages. This is done through socially useful projects in poor areas; most directed at repairing and developing the local infrastructure. Maximum duration is six months.	Propensity-score matching.	The average net gain in income is about half of the average Trabajar wage. Percentage net gain for the poorest 5% is 74%. Average gains are very similar between men and women, but are higher for younger workers.	Losses to those who left the program were sizable (about ¾ of the gross wage of the program) within the first six months, but decreasing after that.

Micro-Enterprise Development				
Labor Market Problem	**Intervention Design**	**Type of Evaluation**	**Result**	*Comments*
OECD / Developed countries				
Canada. Self-Employment Assistant (SEA) Program designed to promote self-sufficiency in the labor market through self-employment. [Graves and Gauthier, 2000]	SEA is a program, running up to 52 weeks, of self-employment assistance with financial support for people who are on, or who have been on Employment Insurance.	Non-experimental. Survey instruments and comparison group.	Short-term business survival rates are high. In the year following program participation, participants experience positive earnings effects ($213 more on weekly earnings compared to control group), though for some participants the new business is not a sufficient source of income. Participants increased by 13 hours per week between the pre and post-program period.	An important concern uncovered by the evaluation is that about half of the clients are subsidized to start a business they would have started anyway (deadweight).
Germany. Persistent high unemployment in Germany. Significant easing of conditions for receiving support for setting up a business in 1994. [Pfeiffer and Reize, 2000]	"Bridging allowances" for unemployed proposing new business for a period of 26 weeks at the rate of the last paid unemployment assistance. No loss of right to unemployment payments or assistance by a transition into self-employment and the right to unemployment assistance is extended by 26 weeks.	Simultaneous modeling of survival of company to one year and the employment growth rate of surviving companies.	Subsidized businesses have a lower survival probability than non-subsidized businesses with similar characteristics. There are no effects of subsidies on employment growth for surviving companies.	Not clear whether identifying variables are used. This study investigates firm survival and employment growth of start-ups from unemployed people in East and West Germany as promoted by the Work Support Act.
Sweden. Increase in unemployment in Sweden in the early 1990s. There was also an increase in unemployment for unskilled workers. Period 1995- 1999 [Carling and Gustafson, 1999]	Approved business plan gets grant for six months equivalent to 80% of pre-unemployment earnings. Subsidized employment program is also for the same amount. Both programs have the same duration.	Logistic regression model and hazard regression model to compare the efficiency of the self-employment program with the traditional subsidized employment program.	Self- program is associated with much less unemployment in future. The risk of re-unemployment is more than twice as high for the subsidized program compared with the self-employed program. The large positive effect is limited to workers of Swedish origin.	
United States. Self-employment opportunities to unemployment insurance claimants. Period 1995- 1999 States: Delaware, Maine, Maryland, New Jersey, New York, Oregon and Pennsylvania. [Kosanovich, et. al, 2001]	Self-Employment Assistance (SEA) Programs. States assist unemployment insurance claimants in establishing themselves in self-employment. States provide entrepreneurial training, business counseling and technical assistance to SEA participants.	Linear regression analysis. The objective of the study is to compare longer-term outcomes experienced by participants with non-participants.	Participants in Maine, New Jersey and New York were 19 times more likely to have been self-employed at any time post-unemployment as compared to non-participants. For participants 25-36 months from initial program enrollment, 58% (NY) and 60% (NJ) were either self-employed and/or wage /salary employed. The cost of program services ranges from $200-2,000 per participant.	

Micro-Enterprise Development				
Labor Market Problem	**Intervention Design**	**Type of Evaluation**	**Result**	*Comments*
Transition Countries	*Intervention Design*	**Type of Evaluation**	**Result**	**Comments**
Bulgaria. Period 1998-1999. (See Training) [Walsh, K. et. al., 2001]	Program provides a lump sum equal to the remaining part of unemployment benefit, which unemployed person receive after approval of business plan. Also offers business skills training, etc.	Matching pairs and logistic regression adjusted estimates to analyze re-employment probabilities of individual participants.	This program had the highest net impact among ALMP in public sector, in contrast with non-participants, suggesting that the program was delivering sustainable businesses or jobs. It increases the probability of re-employment by 43%, compared to control group.	The period between participating in the self-employment program and the evaluation is short. The author suggests re-evaluating the program one year later.
Romania. Small Business Consultancy and Assistance Program. Period 1999-2001 [Benus and Rodriguez-Planas, 2002]	Displaced workers who start or operate a small business are eligible to receive legal, marketing, sales, financial and consulting services.	Quasi-experimental. Propensity Score Matching.	Positive and significant impact on employment (6%) and on earnings. This result is entirely attributable to the large impact for females	

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