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ENHANCING THE EFFECTIVENESS OF ACTIVE LABOUR MARKET POLICIES: EVIDENCE FROM PROGRAMME EVALUATIONS IN OECD COUNTRIES

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SUMMARY

This publication reviews the recent evidence from programme evaluations on the effectiveness of active labour market policies (ALMPs) in helping unemployed individuals return to work. ALMPs differ widely in their objectives and their impacts, both across countries and within countries over time. Programme evaluations attempt to determine the impact of various ALMPs, both for the individual and on society at large. Individual impacts are usually measured in terms of post-programme earnings and/or employment performance. Societal impacts include an estimation of deadweight, displacement and substitution effects, along with some accounting for possible externalities. Recent evaluations suggest some ALMPs can help most groups of the unemployed. Many unemployed benefit from early intervention through the provision of counselling and job-search assistance. Others benefit through targeted employment subsidies, particularly in the private sector. The picture is more mixed with respect to public training programmes which account for a large share of public spending in active measures in many countries. In order to answer the questions of "what works" and for "what groups of the unemployed" with more confidence, it will be necessary for countries to undertake more -- and better -- evaluations.

RESUMÉ

Cette publication passe en revue les résultats récents sur les évaluations de dispositifs du point de vue de l'efficacité des politiques actives du marché du travail (PAMT) pour aider les individus au chômage à retrouver du travail. Les PAMT sont largement différentes, dans leurs objectifs et dans leurs impacts, à la fois selon les pays et dans le temps à l'intérieur de chaque pays. Les évaluations de programmes tentent de déterminer l'effet de différentes PAMT, pour l'individu ainsi que pour la société au sens large. Les impacts individuels sont habituellement mesurés en termes de salaires et/ou de situation dans l'emploi après avoir été dans un dispositif. Les impacts pour la société portent sur une estimation des effets d'aubaine, de déplacement et de substitution, ainsi que sur la prise en compte d'externalités possibles. Des évaluations récentes suggèrent que certaines PAMT peuvent aider la plupart des groupes de chômeurs. Un grand nombre de chômeurs gagnent à bénéficier d'une intervention rapide en recevant des conseils et une aide à la recherche d'un emploi. D'autres sont plutôt aidés par des mesures de subventions ciblées à l'emploi, en particulier dans le secteur privé. L'image est moins claire en ce qui concerne les programmes publics de formation qui comptent, dans un grand nombre de pays, pour une part importante des dépenses publiques portant sur des mesures actives. Pour pouvoir répondre de façon plus assurée aux questions sur "ce qui marche" et pour "quels groupes de chômeurs", il sera nécessaire que les pays entreprennent plus d'évaluations et de meilleure qualité.

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INTRODUCTION

Labour market authorities in many OECD countries are placing increasing stress on the role of active labour market policies (ALMPs) in combating high and persistent unemployment. Given the fiscal cost of such policies which often exceed one per cent or more of GDP in many countries, it is vital to assess rigorously whether this spending has achieved its goals, however defined.

The 1993 *Employment Outlook* presented an overview of the results from evaluations of active labour market programmes in a few OECD countries. This report presents the results of additional microeconomic impact evaluations that have become available since the 1993 survey was prepared. Section A first discusses the types of ALMPs that exist in OECD countries, what might be expected from them and some general issues related to evaluation objectives. Section B reviews evaluation methods, describing some of their main features and respective strengths and weaknesses. Section C surveys the latest evaluations that have been undertaken in OECD countries, and highlights their results. Section D summarises the lessons as to what active policies appear to work and for whom. The final section presents some general policy recommendations.

A. ACTIVE LABOUR MARKET POLICIES: AN OVERVIEW

There are many different types of ALMPs in OECD countries and their objectives vary widely. They include job creation schemes in the public sector, wage subsidies for hiring in the private sector, training programmes and job-search assistance. ALMPs may be targeted at specific groups, e.g. youths, long-term unemployed, displaced workers, welfare recipients etc. or not. The implementation and funding of ALMPs also vary widely across countries. In some countries, programmes are the responsibility of the Public Employment Service (PES); others receive only referrals from it. Some programmes may be administered at the federal level; others at regional or local levels. Funding may be centrally governed or jointly funded with various regions.

The chances of success of an ALMP depend on a number of factors, including the characteristics of the labour markets in which they operate. Hence, it is important to avoid assessing ALMPs in isolation. They are only one factor in a much larger picture, which includes passive labour market policies, job security provisions, working-time arrangements and so on. The first-best solution in reducing unemployment is to remove those factors that contribute to it. The *OECD Jobs Study* (OECD, 1994) outlined a wide-ranging strategy to combat high and persistent unemployment, involving reforms to labour

and product markets, taxation policy, industrial policy, education and training as well as macroeconomic policies.

Aggregate demand is also an important factor conditioning the success of ALMPs. If there is no change in the number of vacancies in an economy, in the short-term, ALMPs will simply redistribute jobs through substitution and displacement effects (see Table 1 for definitions).[1] But this ignores the longer-term benefits that may be associated with programmes: increases in effective labour supply that could result from ALMPs may help to limit wage pressures at each level of aggregate demand, thereby creating more opportunities for the unemployed and labour force (re)entrants.

Table 2[2] shows the types of programmes that are available in most OECD countries and indicates their potential positive and negative effects on the labour market, along with some unanswered questions. It is worth noting that most programmes have the potential to either alleviate labour market problems or to exacerbate them. Economic theory does not provide unambiguous predictions as to the outcomes of many ALMPs.[3]

Attempts to answer questions raised in Table 2 have come in a number of forms, including macroeconomic studies of the impact of programmes on wages/employment and microeconomic evaluations of the individual impact of programmes (OECD, 1993). The one common thread among the studies is the variability of their results, making it difficult to draw robust generalisations about the likely impact of particular programmes.

Table 2 also highlights the trade-offs that are implicit in most programmes. For example, early intervention may reduce longer-term unemployment if the chances of getting work decline as the length of the unemployment spell increases. But deadweight costs may be high with early interventions. This naturally leads to the issue of targeting. Large programmes imply that many more people have a chance of success, but too large a size might be detrimental for all participants if programme quality and efficiency declines, i.e. decreasing returns set in.[4] Small programmes, however, may cost proportionally more if there are large fixed costs involved in setting them up, and may yield little marginal impact on unemployment. But relatively smaller programmes imply fewer negative side-effects in product and labour markets, i.e. lower displacement/substitution effects compared with larger programmes (see below).

Gross vs. net effects of ALMPs: costs and benefits

The number of jobs created by a programme is its "gross" effect (or impact). But while a programme may have a positive impact at the individual level, its impact at the community level might be quite different. The primary goal of microeconomic impact studies is to examine the impact on the individual whereas macroeconomic studies examine the impact on aggregate employment/earnings. The latter, therefore, implicitly account for substitution and displacement effects. The "net employment" impact of a programme is therefore:

Net impact = Gross impact - deadweight loss - substitution effect - displacement effect

There may, however, be other externalities arising from programmes which neither micro nor macroeconomic studies pick up directly. For example, ALMPs may lead to reductions in crime and health-care costs that may be associated with prolonged joblessness. A complete accounting of the social costs and benefits of a programme would therefore require a more comprehensive cost-benefit analysis in monetary terms to evaluate the welfare changes resulting from these and other externalities. However, this is not possible in most cases because of lack of information. When benefit-cost analyses are done, they

are therefore usually partial, seeking to establish whether there are the direct net savings for the government budget arising from the ALMP (Table 3) (Meyer, 1995).

In addition, it is not enough to determine that the net social benefits of a programme are greater than their costs. Programmes should also be the most effective, i.e. offer the greatest return relative to other options.[5] This suggests that alternative strategies should be tested (OECD, 1991).[6] The ideal evaluation process can thus be looked at as a series of three steps:

1. What are the estimated impacts of the programme on the individual?

2. Are the impacts large enough to yield net social gains?

3. Is this the best outcome that could have been achieved for the money spent?

However, impact evaluations in most OECD countries typically answer only the first question. Some impact evaluations consider the second question in a partial manner, while few -- if any -- consider the third.

This paper primarily examines studies that relate to the first case: microeconomic studies which are concerned with the impact on individuals. The advantage of impact studies is that they can give a specific idea of who benefits from various programmes and by how much. But they can be complicated and costly. Some impact studies also attempt to estimate displacement/substitution effects in conjunction with the individual impact (using a variety of techniques) to come up with an overall estimate of the net impact. This is particularly true of evaluations of the impact of employment subsidies. Where these results are available, they are also included.[7] But it should be borne in mind that the individual impact and the societal impact of a programme may be quite different.

B. METHODS OF MICROECONOMIC EVALUATION OF ALMPS

The evaluation question

The most common outcome on which evaluations focus is whether the individual gets a job and/or experiences earnings gains following a programme. But it is also important that evaluations consider carefully the different possible outcomes from an ALMP, e.g. employment, unemployment, participation in another labour market programme, or non-participation. An individual may experience stable or falling earnings following participation in a programme because of unemployment, enrolment in another programme, or in the case of training, enrolment in further education. The policy implications of each situation, however, are quite different.

Evaluation research is usually undertaken by many bodies, including governments and the academic community. The use of outside consultants to perform the evaluations may lend credibility to the results since they do not have a vested interest in the outcome. But in this case, it is important that there is adequate co-ordination between the users of the evaluation results (e.g. the government) and those that undertake them to make sure that evaluation objectives are met.

The evaluation problem

The most relevant type of impact evaluation examines a counterfactual case: the evaluator would like to know what the outcome would have been for a programme participant if the person had not participated in a programme -- the counterfactual -- compared with the observed outcome after participation in the programme. The difference between the observed outcome and the counterfactual outcome is a measure of the impact of the programme.

Evaluation methods

Interviews

The most widely used method to gauge deadweight loss, substitution and displacement effects is through the use of interviews with employers or employees (e.g. by asking the former their views on whether they would have hired an individual in the absence of a programme or the latter on whether they would have accepted work in the absence of a subsidy). But it is difficult to judge the robustness of these results since they will depend on how the sample of firms to be interviewed has been chosen, on who exactly responds to the questions etc.

Post-programme data

Many studies use post-programme data to track the labour market status of participants in programmes at various points following the completion of the programme. For example, data may show that a certain percentage of individuals were employed following programme participation. This might then be compared with the proportion of individuals who did not participate (with similar characteristics) and were employed. But as noted above, these outcomes, while interesting, are not robust. What the analyst needs to know is whether the outcome would have been observed anyway. This necessitates use of either a quasi-experimental or experimental approach, outlined below.

Random assignment experiments

In a random assignment experiment, individuals who would like to participate in a programme are randomly allocated to either a "treatment" group -- those who receive the service -- or to a "control" group -- those who do not. The difference in outcomes -- e.g. in wages and/or employment -- between the two groups is referred to as the impact of the programme.

Quasi-experiments

In a quasi-experiment, programmes are evaluated ex-post. Because a control group does not exist, one has to be created using various data sources (see below). This "comparison group" is typically matched as closely as possible to the observed characteristics of those who underwent the treatment. The main problem with these sorts of evaluations is differences in unobserved characteristics, or so-called selection bias, which can affect the outcomes.

Random assignment vs. quasi-experiments

Random assignment experiments have two main advantages: *i)* they provide easy to understand, relatively precise estimates of a programme's impact; and *ii)* they are *typically* free of selection bias (Table 4a lists more pros and cons).

A few points are worth noting, however. First, although random assignment experiments typically provide the most precise estimates of a programme's impact, they are not necessarily *perfect* measures of a programme's impact. For example, random assignment experiments may have problems with selection bias: as some authors have noted, programme administrators may be reluctant to use experiments and this may influence how the prospective participant group is formed (Torp *et al*., 1993). Second, Heckman and Smith (1995) point out that estimates from experiments do have *intrinsic* variability. They do not generally allow a *precise* estimate of the number of individuals who are harmed by the treatment, i.e. of those who undergo the treatment, how many are worse off than they would otherwise be. Indeed, most impact studies quantify the mean impact of the programme, not the number of individuals who benefited from the programme or the distribution of gains.[8] Third, there should be a clear definition of the null hypothesis in the experiment: is it an absence of the service? the service provided by the treatment relative to other services that the control group can access in situations of so-called "substitution bias"? the offer of a service? the impact of the programme relative to other streams of services provided in the programme? etc. In many cases, this will depend on exactly when randomisation is introduced into the process.[9]

In quasi-experimental approaches, the main difficulty lies in correction for selection bias (when this is attempted) (Table 4b). The bias cannot be assigned *a priori* and the exact form of the bias is not usually known. Several types of econometric models can be estimated to account for different forms of bias, each with implicit assumptions about its nature. Many evaluations opt for a specific model, as opposed to testing and selecting a model that might be best suited for the study at hand. In fact, as shown by Heckman and Hotz (1989), the approach which should be adopted is to estimate a variety of models and subject them to specification tests.[10] They have shown that proper specification testing of econometric models and careful attention in creating comparison groups can lead to evaluation results similar in magnitude to those from random-assignment experiments. But they do acknowledge that when this is the case, the estimated impact will be less precise than that from a random assignment experiment (Heckman, 1993; Lalonde, 1986). Another element of uncertainty comes from the creation of the comparison group used in the analysis, which, if not chosen to match closely observed characteristics of the participant group, will lead to spurious results (Lalonde, 1986; Fraker and Maynard, 1987). Comparison groups may be difficult to create when dealing with narrowly targeted programmes, or when the programmes involve individuals entering from different labour market states. In many evaluation studies, it is difficult to judge how well the matching has been done. Likewise, it is difficult to gauge whether adequate model specification tests have been done although on the margin, it should not be difficult or costly to do so, provided that the relevant data have been collected. Finally, there may be problems with recall bias when surveying comparison groups after a long period of time.

As noted above, few evaluations consider the impact of various programme options -- e.g. alternative levels of compensation, different allowances, different packages of services etc. -- that are available to the participant. Such options, as noted in Table 2, may be very important in determining the success of a programme. Consideration of the range of options, however, may be a difficult and costly exercise. For example, to test alternative levels of compensation in an experiment would require different streams of individuals for different levels of compensation, which in turn would require larger initial sample sizes from which to sub-select participants for alternative scenarios, increasing cost and complexity.[11]

The process itself may also be an important determinant of the outcome. Recent OECD evaluations of the public employment service (PES) have highlighted its important role in the success of ALMPs (OECD 1992, 1995a, 1996). But most evaluations do not consider the roles of programme quality (which may include how well PES staff are trained), how PES staff enforce job availability tests and other rules related to programme participation, programme design and delivery etc., in determining programme outcomes. These potentially important issues are difficult -- or impossible -- to include in an impact study.

In sum, both random assignment and quasi-experimental methods share some common problems, for example substitution bias in the former and contamination bias in the latter where individuals in control/comparison groups undergo a similar intervention to the treatment group. Failure to account for such biases will underestimate the impact of the programme. It is unclear how important a problem this is, particularly in quasi-experiments, and it is not at all apparent in the evaluations reviewed below that this matter was considered.[12]

Conclusions on the type of evaluation method to be used

- There is no clear-cut answer as to which evaluation method should be used. The choice will depend upon programme objectives, evaluation objectives, cost considerations, required timeliness of results and so on. New programmes can involve random assignment or data can be collected to use in a quasi-experimental approach.[13] Evaluation of completed programmes will necessitate a quasi-experimental approach while evaluation of existing programmes can involve both;[14]

- In many countries, there are major ethical considerations associated with random assignment experiments and controversy over this can contaminate the process. But ethical considerations may not be that relevant, particularly when programmes are supply constrained, i.e. when applicants outnumber positions. In this latter situation, it may be relatively easy to implement an experimental procedure since some selection will have to be made anyway (Riddel, 1991).[15] In addition, new programmes may be easier to evaluate through random assignment since *a priori* the impact is unknown, i.e. while the treatment is expected to help -- hence its introduction -- it may also leave the individual worse off;

- Many evaluations avoid "black-box" issues which can be very important to determine why programmes are successful and whether specific results can be generalised. Although they need not be considered in the impact studies, concurrent examination of these issues would be useful;

- It can be difficult to examine the discrete impact of a programme when it is offered as part of a package of services;

- Quasi-experimental techniques involve judgement on the nature of the selectivity bias that may be present. To increase the robustness of results based on quasi-experimental procedures, the model should be subjected to specification tests. This may imply collecting additional relevant data to the extent that this is possible;

- Quasi-experiments use a variety of data sources to create comparison groups: estimates of a programme's impact will be sensitive to how well they match the characteristics of programme participants. This matching process can be difficult when programmes are narrowly targeted. The use of data sources not designed for evaluation purposes can also create difficulties. This implies that consideration needs to be given to the data requirements necessary for evaluations during the

programme design phase to help improve the accuracy of evaluation results. Studies should also try as much as possible to account for the various sources of bias that may affect a programme's measured impact, e.g. contamination or substitution bias.

C. EVALUATION RESULTS

This section summarises the main results derived from the latest impact evaluations undertaken in OECD countries. Tables 5 through 8 provide a more concise summary of these evaluations. They also indicate any potential problems that may exist with the evaluations, to the extent that they are identifiable. In some cases, however, it was not possible to gauge how well the evaluations were done.[16] As a general comment, many studies appear to have problems with selection bias or do not quantify possible substitution and displacement effects.

A first observation is that two countries -- Canada and the United States -- evaluate their programmes more than others. There are very few evaluation results available from most European countries and none from Japan. Earlier evaluation results were reviewed in the 1993 *Employment Outlook.* This section will not include any of these earlier results, but it will use them to draw more general policy conclusions based on a summary of the evidence.[17]

Training programmes

Training primarily geared towards adults

A Belgium study (Van der Linden, 1995) examined the substitution and deadweight losses associated with training offered by firms over a two-year period between December 1990 and 1992. The purpose of the evaluation was to determine whether employers hired individuals after training because the training signalled to them increased productivity, whether they would have hired these individuals anyway, or whether they substituted these individuals for others. The study estimated deadweight losses of 35 per cent and a substitution effect of only 9 per cent (Table 5a). Although this would appear to imply some positive impact on employment, displacement effects were not estimated so that it is impossible to estimate the size of the net employment effects.

Within the broadly targeted programmes, some interesting results emerge from further analysis of Norway's labour market training (LMT). One study examined the probability of those in LMT holding a job in November 1992, approximately one year after training was completed (Raaum *et al.,* 1995a). They found that participants in courses that were rationed -- i.e. supply constrained -- leading to a formal qualification tended to have a higher probability of getting work, particularly for training geared towards jobs in the public sector. Most other training courses had no employment impact, but this may simply reflect a relatively short evaluation period. The authors suggest a few reasons for the positive findings: first, formal qualifications may signal to employers more useful skills; second, courses that are quantity constrained may also signal this by indicating a better quality of training; and third, competition for jobs in the public sector may be less intense. The study, however, did not check to see whether the participant in the post-programme period was in another ALMP, e.g. a subsidised job. This may overstate the positive

impacts, particularly when job prospects appear to have been better for those employed in the public sector following programme participation. For example, although it is not clear at what level of government the hiring took place, there may have been pressure to hire participants into the public sector following the training. If this were the case, it is unclear how desirable an outcome this should be considered. Hiring into the private sector in an unsubsidised job should be the aim following most training courses. Another evaluation of the same programme examined the extent to which other unobserved factors such as motivation were important -- as proxied by intent to look for a job following training -- in addition to looking at several different outcomes: employment, unemployment, education or participation in a labour market programme (Raaum *et al.*, 1995b). They found that individuals who stated they would look for work once the course ended had better employment prospects than those who did not. These two studies suggest that both individual motivation and the type of course followed may be important determinants in the success of finding post-programme employment.

A study of the impact of labour market training in Sweden by Regnér (1993) pointed to possible adverse impacts of programme participation. Using a variety of quasi-experimental estimation techniques, he found that for individuals who entered labour market training in 1989, the impact on their earnings was negative and significant in 1990. This negative impact remained for earnings in 1991 although it diminished in size. For individuals who entered training in 1990, the impact on earnings was negative and significant for 1991 earnings. This held for all groups and for men, women and youths separately. He cites two probable reasons for the negative impact: first, compensation in the programme leads individuals to participate in the programme for purely monetary reasons; and second, training leads to a further spell of unemployment as individuals use it simply to requalify for benefits.

Another Swedish study examined the impact of vocational training on post-programme employment (Tamás *et al.*, 1995). Using two different cohorts who underwent training in 1992 and in 1994 to examine the short and long-run impacts, they found that those who recently completed training had a significant increase in earnings while those who completed training in 1992 did not. Earnings gains tended to be higher for those who used their training, and were largest for those with the lowest initial educational attainment. They indicate a number of possible factors for the varying results between the two cohorts: differences in labour market conditions, changes in programme regulations and changes in course content. They also note that those in training tended not to be adversely affected with respect to employment while those in the comparison group saw their employment chances fall during the training period.

More targeted training programmes include the Job Development and Job Entry programmes in Canada (Table 5b) (Abt Associates *et al.*, 1993). The former was designed for the long-term unemployed and the latter targeted at new entrants to the labour force such as youths and women re-entrants. A follow-up study of earlier 1988 results was done of these programmes in 1992 to gauge longer-term impacts (earlier results are described in OECD, 1993). This follow-up study led to somewhat different results: in particular it found that the "re-entry" option of Job Entry had a significant short and long-run impact on earnings and employability, with the impact falling over time. More interesting was the result with the "Direct Purchase Option" of training.[18] Compared with the earlier study, the longer-term analysis revealed a significant impact on earnings which did not exist in the short-term. Its impact on employment was positive in both the short and long-run. Under the Job Development programme, the "General Projects" option (mainly job creation with little training content) had no significant impact on earnings or employment in either the short or the long-term. But the "Individually Subsidised Jobs" (ISJ) option -- a wage subsidy with on-the-job training -- had a significant impact on employment in both the short and long-term, although the impact on earnings was significant only in the short-term. The "Severely

Employment Disadvantaged" (SED) option, however, had no significant long-run impact on earnings or employment.

The reasons behind the relative success of certain programmes under Job Development are not clear. In the ISJ option, the number of participants was relatively large compared with SED (about 4 to 8 times the size depending on the year), but programme impacts were more favourable. It was also a relatively less expensive programme compared to SED (about half the cost). Thus there is not necessarily a close link either between programme size or cost and its success. Rather success may reflect the fact that most placements under ISJ were in the private sector and not the public sector (SED placements were in the public sector), and this may have led to the acquisition of firm-specific skills at a relatively low cost to the firm that enhanced job durations (Marchildon, 1995). The Re-Entry option of the Job Entry Programme clearly had the most success of all of these programmes, with significant short and long-term impacts on employment and earnings. However, in the Job Entry programmes, there was evidence of creaming. Marchildon (1995) notes that co-ordinators of the programmes tended to pick individuals based on skills, education *and* motivation rather than evidence of real need. Programme impacts may therefore be somewhat overstated.

A more in-depth analysis of the "Severely Employment Disadvantaged" option shows how different methodologies and time periods can lead to different results, even for the same programme. This latter study by Trican Consulting (1993) found that both men and women benefited from this programme -- which involved a number of different services including training, counselling, placement -- in terms of earnings and employment. Participants -- depending on when they entered -- either received a wage during the programme or an allowance related to family characteristics. The less costly of the two options appeared to be the wage option which led to earnings gains higher than those on allowances.

The most recent Canadian evaluation examines the "Employability Improvement Programme" (HRDC, 1995). This programme consists of a number of options and three in particular were evaluated: Job Opportunities (JO) which provides subsidies and assistance to employers who provide OJT; Project Based Training (PBT) which integrates classroom and OJT with work experience; and Purchase of Training (POT), classroom-based training. Individuals who participated in programmes between July 1991 and January 1994 were interviewed in March 1994 to evaluate programme impacts. The results suggest that each programme led to a significant and positive increase in employment and annual earnings (although no increase in weekly earnings, i.e. gains in earnings came about through hours increases). Gains ranged from about $3 800 for PBT to nearly $5 200 for POT. The programmes were particularly effective for those unemployed prior to the programme; they did not help those who were previously employed. Both men and women experienced similar gains in JO and PBT, but women had higher gains in POT. Youths benefited the least while older workers benefited the most. There were also significant reductions in UI and social assistance with both PBT and POT. Once again, the reasons behind these large impacts are not clear: they may however reflect more careful targeting, particularly at the local level.

Other targeted programmes include a longitudinal analysis of the Displaced Workers Educational Training Program (DWETP), which offered classroom training to displaced workers in Pennsylvania in the United States during the mid-1980s (Jacobson *et al.*, 1994). A number of key results come from this evaluation. First, the programme had a significantly positive impact on displaced worker earnings of 6 to 7 per cent associated with each year of schooling. Second, earnings gains did not occur until 1 1/2 to 2 1/2 years after training. Third, individuals who took so-called "hard" courses, e.g. maths, sciences, tended to fare better. Fourth, job-search assistance combined with training also had a significant impact (for men).

On the other hand, however, a further analysis of recipients of the Trade Adjustment Assistance Programme in the United States in the late 1980s indicated no impact from training on the earnings of

displaced workers (Decker and Corson, 1995). Any earnings gains were accounted for by observable factors such as education rather than participation in the programme itself.

Also in the United States, further results became available from the JTPA-II-A for disadvantaged workers (Bloom *et al.*, 1994). Initial results after 18 months were presented in the 1993 *Employment Outlook* and updates were provided in the subsequent publication. These later results -- after 30 months -- indicate that the programme continued to be highly successful for certain groups -- adult men and women -- but not at all for disadvantaged youths. In particular, on-the-job training and job-search assistance schemes were significant for both men and women while classroom training was not. The "other" services category -- which varied in content -- was significant for women only. Earnings gains came primarily through increases in hours worked. Finally, data from the JTPA-IIA study show that programme impacts varied over time. For example, in the case of men the earnings impact was only significant in months 19 to 30 This does not necessarily indicate a growing impact over time, but simply that the only significant impact was in this time period.

In Denmark, a scheme targeted at the long-term unemployed -- the Job Offer system which until 1994 required the long-term unemployed to accept certain work experience and training options -- was evaluated by Rosholm (1994) (as quoted in Reutersward, 1995) found that the likelihood of leaving unemployment peaked immediately after participation in temporary subsidised jobs. This suggests a tendency for some persons to move directly from these jobs to unsubsidised ones, especially when the subsidised jobs were in the private sector. But they were seldom strong enough to compensate for the reduction occurring during the period of subsidised employment (because most participants did not seek other unsubsidised jobs), particularly for youths. However, those former participants who did find unsubsidised jobs tended to keep them longer compared with non-participants. Formal training options appeared less useful in the short run. For most groups, they had negative or insignificant impacts on the exit rate from unemployment. At least some training options prolonged the total duration of unemployment and programme participation for prime-age men, and all of them did so for men and women older than 50 years. For prime-age women, however, training seemed to be useful: it markedly shortened the total time spent out of ordinary work.

A recent UK study examined the impact of the Employment Training (ET) and Employment Action (EA) programmes between the periods 1992 and 1995 (the programmes ran until 1993) (Payne *et al*., 1996). The goal of ET was to provide participants with a qualification. In conjunction, they could also receive work placements and project placements, the latter being in the voluntary sector. The main goal of EA was to provide work experience through work or project placements, although training may also have been provided. In fact, a majority of the sample of EA people were in project placements. Over the follow-up period January 1993 to January 1995, a programme participant could have worked a maximum of 25 months. A "representative" person in ET worked about 9.5 months compared with 7.5 months for the comparison group, or a gain of about 8 per cent. The low number of months worked reflects, among other things, the fact that many of people in the sample were unemployed over the course of the evaluation period there was no employment gain under EA. The factors that were the most important in leading to full-time job placement were time spent on employer placements and qualifications gained in the schemes. The analysis suggests that time spent on project placements had little value unless it was of very long duration. Training that did not lead to a formal qualification was also not found to be significant. These results indicate a number of useful points: training is important but only if it leads to recognised qualifications; employment gains following training grew over time; project placements were not seen as being a substitute for work placements and even reduced the chances of participants finding work; and finally work placements combined with training were useful.

The programme impact on wages was also examined. For those who held a job at the time of the second interview (one year after programme participation), participation in a programme where direct training was received had a significant and positive impact on earnings of about 6 per cent (no distinction was made between ET/EA schemes). For those who had held a job prior to the current one in which the interview took place, training also had a significant impact on earnings of about 9 per cent. For those who gained a qualification, the gain was 12 per cent and significant. Simply participating in a programme, however, had no impact on wages, i.e. the type of scheme was important. A longer-run analysis showed that the wage gains disappeared, but this may have reflected the small sample sizes. Thus, while ET/EA may have helped participants to get full-time work (mainly ET), training helped some participants to get a better job measured in terms of wages, at least in the short-run. But overall, wage gains were modest and may have disappeared over time.

Training primarily geared towards youth

In addition to the JTPA-II-A, the publication "What's Working and What's Not" from the United States reviews other programmes of interest for youths. For example, based on the success of the Job Corps for youths (see OECD, 1993), another programme -- JOBSTART -- was launched, but in an attempt to reduce costs relative to that of the Job Corps, short-term services were provided in a non-residential setting (i.e. not a separate environment) for about 1000 high school dropouts with low reading skills (Table 5c). Evaluators found no significant increase in employment and earnings over a four-year follow-up period, despite increased educational attainment of youths in virtually all training centres.[19]

Another interesting programme -- because it examines the impact of environment on educational attainment -- in the United States links together residential location and youth outcomes (DOL, 1995). Researchers in Chicago examined the impact of educational and employment outcomes for 60 families who had moved to the suburbs compared with 40 families who remained in the city in mainly black neighbourhoods. The majority of them were single-parent AFDC recipients. The groups were compared when the children reached 18, roughly 7 to 13 years after their move. About 5 per cent vs. 20 per cent of youths dropped out in suburban vs. rural families. More than half of suburban youths attended college compared with 20 per cent of urban youths. About three quarters of suburban youth were employed with relatively higher wages compared with 40 per cent of urban youth. Finally, about three-quarters of suburban parents were working compared with 65 per cent of urban parents.

While not geared only at youths, Try (1993) examines the impact of Norway's vocational training programme (VTP) on youths over the period November 1990 to 1991, by looking at the chances of finding work following the programme. He finds that this probability increases with the initial education of the participant, with those with highest educational attainment having a 46 per cent chance of finding work. He also notes that individuals who completed the 6-month course tended to have the largest probability of getting work. But when an attempt was made to correct for selection bias, those with the highest probability of getting work completed about 20 weeks of training, suggesting that longer-term programmes may be disadvantageous, perhaps due to "locking-in" effects.

Why might there be negative payoffs to training?

There has been a lot of pessimism surrounding the usefulness of training programmes given the low payoffs and insignificant results indicated in various evaluations, such as those reviewed in the 1993 *Employment Outlook*. Undoubtedly, this reflects to some extent poorly designed/targeted programmes.

Reasons for their lack of success can generally be divided into two groups: those related to evaluation methods and those related to the programmes themselves.

Evaluation methods

- Evaluation periods may be too short. When individuals are in training, they are often not looking for work, thus programme participants may fare less well in terms of earnings/employment gains over the short-term compared with control or comparison group members. Many evaluations terminate relatively shortly after the experiment has ended (or a few months after the participant has left the programme), but there is more recent evidence to suggest that gains from programmes such as training may only accrue over the longer term. As Reutersward (1995) notes, programmes with on-the-job training are more likely to show more immediate returns and therefore a shorter evaluation period is appropriate. But classroom training may require a longer time period to evaluate the results, in particular if training is viewed as an investment in human capital. It is not clear, however, how long the evaluation period should be, or whether a longer evaluation period would simply confirm the poor outcomes of many of the evaluations.

- It is important to assess the amount of training undertaken by the control/comparison groups. To the extent that this is not done -- and as noted above, it appears rare at least in quasi-experimental approaches -- this will understate the impact of the programme.

- Training may lead to further training (indeed, this may be considered a positive outcome) and therefore relatively low payoffs -- in either employment or earnings -- in the short-run.

Programmes

- To the extent that courses are of relatively poor quality and perceived as such, taking such a course may simply signify to potential employers that participants' expected productivity is low compared with non-participants. There is also some evidence to suggest that the type of classroom training is important: classes that do not send out “strong” signals or lead to recognised qualifications may be seen as ineffective from an employer’s perspective.

- In countries where a spell on a training programme serves to requalify for benefits, it may send out poor signals to the labour market. Indeed, from an employer’s perspective the courses may be seen as irrelevant and from a participant’s perspective, motivation may be low. Furthermore, individuals will most likely remain unemployed following the training programme.

- There may be a poor match between client needs and the type of training undertaken. Clearly, if inappropriate interventions are suggested to an individual, this may actually harm their labour market prospects by not providing useful services and lengthening the spell of non-employment. In addition, it is important to account for when the individual receives training during the unemployment spell, and delays between the offer and receipt of training (to counteract deterioration of skills), and to control for the time elapsed between training and work (which may limit the effectiveness of training). Both can have an impact on the measured success of training. Trainees may also need other interventions such as job-search assistance.

- It is usually implicitly assumed that all individuals receive the same type of training, or for cases where successive cohorts into a course are examined, that the course has not changed in content.

But while the course name might be the same, it is possible that courses will change -- even over the short-term -- adapting to different labour market needs, a factor which is not usually adjusted for in evaluations (Tamás *et al*., 1995). This might explain differences in even short-run impacts of successive cohorts of training programme participants.

- The most expensive ALMP is usually training. But Lalonde (1995) points out that one should not expect large returns when the resources devoted to training are still quite limited. He notes that given that the amount invested is *still* relatively quite low per participant, to expect it to raise participant earnings by several thousand dollars would imply an extraordinary rate of return.[20]

Policy implications for training

Evaluations to date indicate low or insignificant returns to many public training programmes. In order to better understand the reasons for these disappointing results, some changes in how training is offered, its purpose and how it is evaluated should be made. In particular:

- Training should not be used to requalify for benefits, nor should it be used as a solution to large-scale unemployment;

- The evidence suggests that small-scale, well-targeted training programmes are likely to offer the best returns. Training should be targeted on both employer *and* jobseeker needs. This implies an important role for the Public Employment Service in conjunction with other actors who are familiar with the needs of the local labour market;

- More evidence is needed on how courses should be offered, e.g. either through public or private provision, and how long they should last. But it seems clear that relatively long training programmes should lead to recognised qualifications;

- For youths, training measures need to be considered in conjunction with more general education policy;

- Longer evaluation periods are needed to determine whether the short-run impacts on employment and earnings persist into the long-run.

Subsidies to employment in the private sector

There are only a few additional studies which examine the impact of wage subsidies since those examined in the 1993 *Employment Outlook*.

One study carried out in Belgium (described above) -- modelled after an Irish study described in OECD (1993) -- estimated deadweight loss and substitution effects based on employer interviews about the hiring of individuals under a wage subsidy programme (Van der Linden, 1995). It found that wage subsidies led to about 53 per cent deadweight loss and about 36 per cent substitution effects (Table 6). While the net employment effect of the programme was not estimated, it must have been negligible.

These substitution/deadweight loss effects are much higher than those described above (under training). But it is important to realise that those who received training were not offered subsidised jobs: rather the employer was asked whether public training offered to the individual prior to hiring was a factor

in their hiring, i.e. did it indicate to them that the training was a positive signal as to an increase in productivity or did it simply signal to them that the person was someone they would not want to hire. The relatively low deadweight losses indicate that without the training the individual would not have been hired. With respect to the wage subsidies, the results are not that different from several of the studies examined in the 1993 *Employment Outlook*. In this case, it is unclear whether the high deadweight losses reflect poor targeting or some other factor.

An Australian programme -- JOBSTART -- offered wage subsidies to employers to take on the unemployed. Individuals who completed a wage subsidy period in March 1992 were followed up 6 months later to estimate gains in employment relative to a comparison group (the evaluation did not check for selectivity bias, so the results are not robust) (Byrne, 1994). It found that job-seekers who received the subsidy had higher employment rates relative to the comparison group: 60 vs. 30 per cent.

The JTPA-IIA in the United States also provided wage subsidies to disadvantaged workers, mainly to provide on-the-job training. These subsidies appear to have been very successful for single mothers who are on AFDC and other disadvantaged adults recommended for 3 to 6 month on-the-job training (DOL, 1995).

Evaluations of programmes offering subsidies to employment in the United Kingdom have been reviewed in NERA (1995). One Scottish scheme -- Training and Employment Grants Scheme Mark II (TEGS II) -- was targeted at high-unemployment areas; it ran from 1989 to 1992 and was evaluated in 1992. It was a relatively small programme, covering 4 500 people over the three years. Designed to help the long-term unemployed or those at risk, a wage grant was offered for trainees varying from 50 to 100 per cent of the trainee's wages for a period of up to 26 weeks, and a grant was offered to cover 100 per cent of training costs. The job had to be full-time and last one year. Employee surveys found that 43 per cent of the trainees were still with their TEGS II employer and 37 per cent with another. Employer surveys were consistent with these numbers. Estimated deadweight losses were low, only in the 16 to 20 per cent range and "additionality" -- as indicated through the survey -- was estimated at 27 per cent, and larger in smaller firms. In part, this low deadweight loss may relate to employers being forced to declare at the outset that the job would not have been offered to the recruit in the absence of a subsidy, although this would be hard to verify.

Another study reviewed in NERA (1995) was the United Kingdom Jobstart programme which ran from 1986 to 1990. It offered a subsidy to employees, and not employers. In particular, it was targeted to the long-term unemployed to help them re-insert back into the workplace. To qualify, the participant had to earn less than 90 pounds per week with working hours of 35 or more; the job had to be held for 3 months; and the claimant had to accept the job before applying for the allowance. A subsidy of not more than 22 per cent of earnings was then given (taxable). Interviews of participants 3 months after the programme had ended indicated that 69 per cent of them would have accepted the job without the subsidy, i.e. there was a substantial deadweight loss. This percentage was higher for those whose benefits prior to employment were lowest. For example, 79 per cent of individuals with a previous benefit less than 25 pounds per week would have accepted the job while only 51 per cent of those whose benefit was greater than 60 pounds per week would have accepted one. In terms of follow-up on employment, 71 per cent of individuals were still with their Jobstart employer 3 months after the subsidy ended. However, the limit on earnings appeared to create problems with employers, i.e. encouraging overtime work may have been difficult.

Policy implications from evaluation results on subsidies to employment

- There are substantial deadweight and substitution effects from wage subsidies (and probably displacement effects). On balance, however, these schemes appear to increase employment slightly, although one should not expect large short-run effects when vacancies are fixed. There is little evidence on the long-run effects of wage subsidies, i.e. whether short-run displacement leads to longer-term benefits through re-integration of targeted workers.[21]

- From a policy perspective, high deadweight and substitution effects may not be considered that important since "shuffling the queue" of job-seekers is in part what the schemes are intended to do to the extent that targeting is done well. For example, subsidies targeted at the long-term unemployed may lead employers to hire them as opposed to the short-term unemployed who would have been hired in the absence of the subsidy. For both equity and efficiency reasons, reducing the level of long-term unemployment may be an important policy objective;

- Careful controls are important in wage subsidy programmes: one common problem is that firms may refuse to hire the unemployed unless they receive a large subsidy or they may set aside positions that are contingent on a subsidy (Grubb, 1994). In effect, they use the schemes as a permanent subsidy to their workforce. For example, when Finland attempted to increase the private-sector share of subsidised jobs in 1994 to nearly one-third, displacement of unsubsidised jobs became a problem as employers began to use these subsidies to target unemployed workers who were eligible for the subsidy in their hiring. They are now available only for permanent hirings in the private sector (OECD, 1995a). Monitoring of employer behaviour is needed to make sure that subsidies are not used to recruit new employees through recent vacancies (e.g. base them on average changes in employment over a relatively long period such as a year) nor to replace subsidised workers whose subsidy has ended and have been dismissed as a result; logging the type of placement and ensuring that subsidies are used to help create permanent jobs when programmes are relatively large are some of the essential conditions to help avoid this side effect. These measures, however, would be costly and more difficult to enforce with large-scale schemes;

- Careful targeting -- both of individuals and where individuals are placed -- would also help avoid some other negative consequences of wage subsidies. For example, displacement effects can be minimised by targeting participants to occupations where there is an excess demand; to firms where competition is relatively weak; to industries where there is a large number of firms so that marginal displacement is minimised, or to sectors where there is an expanding demand for output (Grubb, 1994); deadweight losses can be lowered by targeting on the longer-term unemployed although this must be weighed against the fact that more expensive interventions may be required as duration of unemployment increases. However, the evidence on who should be offered the subsidy -- employer or employee -- is not well researched;

- There is little evidence on the effectiveness of using subsidies to foster on-the-job training (OJT), although some Canadian studies have pointed to positive benefits in this area for both re-entrants and the severely employment disadvantaged. Programmes in this area in the JTPA in the United States were very successful for adults, particularly women (Table 3). Snower (1995a) notes that the use of subsidies may encourage the growth of low-skilled dead-end jobs. For this reason, combining subsidies with training may be worthwhile, particularly since raising the take-home pay of low-skilled workers relative to more highly skilled workers reduces the return to training.[22]

Subsidies to help the unemployed start-up an enterprise

Evaluations of the few programmes that exist in this area have generally found favourable results. But since the number of programmes and evaluations is small, some caution is required when seeking to generalise on the basis of such a small sample.[23]

In the United States, the first two UI federally sponsored demonstration projects for self-employment were begun as random-assignment experiments in the states of Washington and Massachusetts (Unemployment Insurance Self-Employment Demonstrations) (DOL, 1994a). The Washington Demonstration project began in September 1989 while the Massachusetts Demonstration ran for 3 years beginning in 1990. Each consisted of several treatment groups phased in at discrete points in time. The evaluation examined individuals who participated over the 1990 and 1991 time periods, or roughly 18 months into the programme. In terms of design features, counselling was more intensive in Massachusetts than Washington (an average of 6.5 vs. 1.5 hours). In addition, those who participated in Washington received a lump-sum payment equal to their remaining UI entitlement if they completed five required "milestones", which included completing the various training modules and obtaining adequate financing. About 60 per cent of participants qualified for this bonus. Individuals in Massachusetts received self-employment payments equal to their UI payments. Results after approximately 18 months indicate that treatment group members in Washington recorded about 4 months longer in self-employment relative to the control group while those in Massachusetts recorded a relative gain of about 1.5 months (Table 7). Both increases were significant. However, only participants in Washington recorded significant gains in total earnings from self-employment (of about $3 000). Self-employment projects could also have an impact on wage and salary outcomes of participants. For example, some individuals may decide after participation in the project that they would rather search for work than set up their own business. In terms of the impact on wage and salary employment, the Washington project delayed entry by one month relative to the control group and participants earned significantly less. But in Massachusetts, the treatment group spent about 1 month more in wage and salary employment and earned substantially more than the control group. Therefore, in terms of overall employment gains -- i.e. taking account of changes in self-employment and in wage and salary employment -- the Massachusetts experiment resulted in significant employment gains of about 14 per cent compared with the control group, and about 5 per cent in Washington. Total employment was about 3 months longer in Massachusetts and 2 months longer in Washington. Both increases were significant. But earnings gains were only significant in Massachusetts. The reason behind the difference in results between the States is unclear, but could relate to the more intensive training provided in Massachusetts.

The self-employment UI demonstration projects were also designed to be early intervention measures and therefore to lower overall payments from the UI account. Both demonstrations led to significant declines in UI benefit receipt. In Washington, the reduction was about 6 weeks worth of benefits while in Massachusetts it was about a 2 week decline. But once the lump-sum payment is factored in, the Washington treatment group received higher payments than the control group, indicating that while it led to quicker business start-up, benefits were offset by the lump-sum payment.

Another self-employment demonstration project in the United States -- that did not use random assignment -- was the Economic Dislocation and Worker Adjustment Assistance Act (EDWAA) Job Creation Demonstration, which involved community-based organisations specialising in local development (Department of Labor, 1994b). Contracts were awarded to six community development organisations in June 1991 and the programme ended after 27 months in September 1993. Compared with sites that did not receive funding, outcomes from EDWAA appeared to be similar to those of the Washington UI experiment outlined above. The demonstration also provided additional evidence on the relative importance of some factors in programme success. It noted the importance of selecting highly

motivated individuals who had a specific business idea and providing support to them in the form of training and mentor services.

A survey of recipients of Norwegian Entrepreneur Grants (which had no comparison group and therefore does not provide robust results) indicated that about half of the individuals who received grants in 1989 and 1990 were still in self-employment four years later (Bolkesjø *et al.*, 1995). The two most significant factors behind those still in business after this time period appeared to be age and education: those under 30 with less education tended to fare worst. The study also noted that the long-term unemployed tended to set up less viable businesses and that the size of the grant tended to affect the size of the start-up, i.e. bigger grants were associated with larger initial start-ups.

Policy implications from results on aid to starting an enterprise

- These programmes only work for a small subset of the unemployed population. Typically, these appear to be men, generally under 40 with relatively higher education levels and whose current spell of unemployment is relatively short;

- The Washington and Massachusetts UI demonstration projects indicate that other forms of support may be helpful such as mentors and counselling;

- This intervention may be better for the relatively short-term unemployed;

- It is unclear whether the form of financing has an important impact on the outcome. To the extent that these individuals are liquidity-constrained, an initial lump-sum may be more helpful; but those who get money from other sources, e.g. family and/or friends, may be more motivated to succeed. The initial payment may affect business size and scope more than the propensity to start up a business.

Public sector job creation

There is little new evaluation evidence on this measure since the results presented in the 1993 *Employment Outlook*. This may reflect the fact that many countries have moved away from public sector job creation to other active measures in the light of the disappointing results. It can be difficult to provide meaningful jobs in this area, especially if the "additionality" constraint is imposed. This form of support is typically targeted to the hardest-to-place groups for which many forms of intervention have not proved to be very useful. One noteworthy exception to the trend of reducing public sector job creation schemes is Australia where -- under its Working Nation initiatives -- a job is guaranteed to the long-term unemployed. This reflects a number of views, including the belief that this may encourage the development of work-related skills, and in part, will form the basis of a reciprocal agreement between the government and job-seekers that those who do take active steps to find work (which are monitored closely) and who are unsuccessful will not be penalised. In addition, public sector job creation may also be used as counter-cyclical policy in times of weak aggregate demand, meeting social as well as economic objectives.[24]

Some additional evidence on Sweden was reported by Forslund and Krueger (1994) who examined the displacement effects of public relief work in the construction, health and welfare sectors in Sweden. They found evidence of displacement in the construction sector, i.e. for every construction worker hired into public relief work, fewer private sector construction workers were hired (the effect was about .69). Evidence for health and welfare workers, however, was mixed. Skedinger (1995) also

examined the impact of job creation programmes on youth employment. In particular, he reviewed the impact of all Swedish ALMPs in which youths took part which had a job creation aspect -- relief work, youth teams and job introduction schemes and the job development scheme. He did, however, ignore training. He estimated a two-equation VAR system on quarterly data over the period 1971 to 1991: one for job creation programmes and the other for regular employment with 4 lags of each endogenous variable. He found complete displacement, i.e. a one per cent increase in job creation programmes leads to a one per cent reduction in regular (youth) employment, and thus no net increase in employment.

Job-search assistance

The intervention that appears to work best -- at the lowest cost -- is job-search assistance (sometimes combined with other labour market measures). The relative success of these programmes indicates a strong role for the PES, and the importance of the process used to help job-seekers find work.

Job-search assistance comes in a variety of forms, including initial interviews, compulsory interviews after a certain point in an unemployment spell (e.g. Restart interviews in the United Kingdom), re-employment bonuses and so on. Most of the studies examined in OECD (1993) pointed to significant and positive gains associated with job-search assistance. More recent studies in the United States tend to find small, but significant declines, in UI receipt associated with various job-search assistance programmes, although it is not clear whether these would be enough to generate a positive benefit-to-cost ratio. Evaluations from other countries provide mixed results, particularly those in Canada where some job-search assistance programmes had no impact or even reduced earnings of participants.

Table 8a deals with one type of job-search assistance: re-employment bonuses. Evaluations in this area stem from research using random assignment experiments in the United States. Meyer (1995) examined four experiments that ran in the mid-to-late 1980s and found that all tended to reduce the amount of benefits claimed, with estimates ranging from one-half to one week's worth of benefits. The experiments tested different programme options, including varying the level of compensation, the re-employment period and so on. For example, in Pennsylvania, only a relatively long qualification period combined with a relatively "higher" bonus was significant. Meyer (1995) notes some of the possible problems with these bonuses, the most important of which relates to their overall cost: they may lead to more individuals applying for benefits than otherwise would be the case, suggesting that the costs of bonuses could outweigh benefits. However, it is possible that, if adequate controls are put in place on issues such as the size of the initial bonus, the length of the qualification period etc., some of these potential negative effects might be offset. Meyer (1995) also discusses the finding that the bonuses had no significant impact on earnings. It is possible that to qualify for the bonus, individuals take up jobs that are not "good" matches in terms of higher earnings. On the other hand, as Meyer notes, the fact that earnings did not fall may indicate that individuals were no worse off in terms of job matches.

Meyer (1995) also reviewed the outcome of several job-search experiments conducted in the United States in the 1980s, three sponsored at the federal level by the Department of Labor in Charleston, New Jersey and Washington, and two others sponsored by the States of Nevada and Wisconsin. The DOL demonstrations tested various job search strategies by sorting job-seekers into multiple treatment groups at each site. The treatments differed in terms of the job finding services provided, the additional reporting requirements and whether or not a job search workshop was required. Charleston, New Jersey, Washington and Wisconsin required at least one treatment group to attend a job search seminar which varied in length. Charleston, Nevada and New Jersey required more in-depth contact with the PES than normal.

Results from these job-search experiments showed similar significant declines in number of weeks of UI benefits claimed as compared with the re-employment bonus experiments described earlier, except for Nevada where they were much larger. The Nevada experiment had the most intensive treatments with claimants meeting with the same PES personnel at each visit.

Meyer (1995) notes that several treatments led claimants to use the PES more intensively. But it is unclear whether this led to a decrease in quality and quantity of job listings or to more listings. On the issue of whether more enforcement was needed of existing provisions instead of provision of more services, the Washington results suggested a bigger pay-off to the former option. But as noted above, because services were offered combination, it is unclear what is the precise impact of any individual service and therefore the optimal mix of services. The experiments do re-enforce the usefulness of job search assistance and Meyer (1995) recommends further experimentation, particularly in the area of more intensive services (although more intensive services could simply result in higher deadweight losses).

An evaluation of four cohorts who took part in the Canada/New Brunswick Youth Strategy in 1989 through 1992 found less favourable results (Norpark Research Consultants, 1994). This programme provided a variety of services to help disadvantaged students in the school-to-work transition. The programme was successful in raising the educational attainment of participants, but it had no success in either raising their earnings or the probability of working (Table 8b). Programme managers noted, however, that the object of the programme was to get participants ready for jobs, not necessarily into work immediately, suggesting that a longer evaluation period would be appropriate.

An evaluation of participants in the Canadian Industrial Adjustment Services (IAS) in the period April 1989 to March 1991 indicated that this programme actually hurt participants and the results are instructive in a few different areas (Ekos Research Associates, 1993). This programme offers help to individuals and communities that are undergoing -- or will undergo -- industrial restructuring. It helps come up with action plans to be followed that can include a number of different courses of action, e.g. training, counselling etc. The evaluation showed that individuals who received a larger number of services -- and thus were not searching for work or were unemployed for a longer period of time -- were worse off. The programme led participants to delay their job-search with no positive benefits.

Another Canadian evaluation examined the Claimant Re-employment Service (CRS), which promoted co-operation between Canada Employment Centres (CEC) employment staff and UI staff (HRDC, 1992). The CRS attempted to expand working linkages between employment officers and insurance officers to make CEC staff aware of their dual role in providing re-employment assistance and dealing with UI abuse (HRDC, 1992). CRS clients were individuals selected from UI claimants judged likely to benefit most from CEC services and then tracked using the new integrated approach. This study, based on a survey of CEC staff, found that test centres tended to shift their priorities towards UI claimants at the expense of other clients, but that insurance officers had little interest in the delivery of programmes and services. They tended to see the CRS as an employment programme and not as a method of integrating employment and insurance programmes. In part, this reflected difficulties in monitoring interventions provided to clients (training, employment programmes, insurance) because of problems in information and links between different systems of data.

Individuals who entered a Job Club in Australia in June 1992 were followed up in March 1993 to determine the employment impact of the programme (while a comparison group existed, there was no correction for selectivity bias and therefore the impacts are uncertain). Job Clubs were found to be more effective for clients with low educational attainment, for those who had been unemployed between 6 and 12 months and for male clients (Redway and Patston, 1994). Individuals who had undergone other labour market interventions followed by participation in a Job Club benefited less than other clients.

A Dutch study of schemes devoted to youths used interviews with officials and analysis of both national data and individual data to evaluate two schemes: the AAJ which offers counselling and job-search assistance for school leavers up to 20 years old (now 23), and the JWG which is a "second phase" consisting of subsidised temporary work offered after 6 to 12 months to AAJ participants (de Koning *et al*, 1994). The results suggested that the counselling activity had little impact on either the probability of finding a job or enrolling in education. But JWG had some impact: its participants would otherwise not have had work in 70 per cent of the cases (an immediate but short-term effect), and JWG was also estimated to increase participants' chances of subsequent regular employment by some 20 per cent (a medium-term effect).

New Zealand introduced the JOB ACTION programme in 1994 to address the needs of the very long-term unemployed; the programme mainly focused on job-search assistance (New Zealand Department of Labour, 1995). The programme contained four elements: a Job Action interview, a one-week workshop, a follow-up interview and case management. Attendance at the initial screening interview is compulsory and is geared towards those registered at an employment office for 104 weeks or more, although some flexibility is allowed depending on the region. Over the course of the workshop, a plan of action to seek and get work is developed which is then approved by an advisor.

Individuals who enrolled in the programme between September and November 1994 were examined with respect to a similar group of non-participants using a proportional hazards model in the five-month period following their entry to the programme. Despite the intensive process that participants go through, programme outcomes were generally not favourable. The programme had no significant impact on the take-up of training nor did it reduce unemployment benefit receipt. It showed -- at the 10 per cent level of significance -- a moderate increase in full-time work of about 5 percentage points compared with the comparison group, but no significant take-up of part-time work. The latter result may be due to a number of factors including whether the individual was living in a household with an unemployed partner, in which case the abatement of benefits to take up part-time work may be a factor. While managers felt that the programme helped improve job search, it is not clear if this led to concrete outcomes, in part because of the limited length of the evaluation period. A significant impact of the programme, however, was to "clean-up" the register, i.e. people who did not respond to the interview request were removed from the register.

In the United States, the JTPA-IIA also had one stream of services that mainly comprised job-search assistance, although the exact nature of the services provided varied since they depended on the client's needs (Bloom *et al*., 1994). The evaluation found that these "other" services were highly successful for adult women who experienced large positive and statistically significant earnings gains over the 30 months of the evaluation period. For men, while gains were positive, they were not significant.

An overview of the US Employment Service (ES) by Jacobson (1994) reviews a number of quasi-experimental studies of the ES. He draws a number of conclusions regarding the effectiveness of the ES. First, the ES typically offers jobs to registrants who are less able to locate jobs on their own, which Jacobson argues is the role of the ES since those who have access to better job information -- typically those in better jobs if employed, or coming from better jobs if unemployed -- will tend to use these other sources first and rely upon the ES only as a last resort. Second, this is one reason why the ES does not place individuals in high-wage jobs: for job seekers earning less than $20 000, the ES is able to find jobs that generate similar earnings. Third, the ES places individuals at low cost -- roughly $80 per registrant -- and saves on average about 1.25 UI payments or $200: this makes it a cost-effective institution. Fourth, the ES is effective for all adults, particularly for women. Finally, the study notes that ES offices which offer more personalised services to job-seekers and firms have higher placement rates, other things being equal.

Given the relatively low cost of job-search assistance and the relatively positive outcomes, some countries have begun to focus more on determining who, among the pool of the unemployed, is in need of simple adjustment services and who would benefit from more intensive services. To help in this task, they have turned to "profiling". Australia, Canada and the United States have initiatives underway in this area and. Profiling uses econometric models to help determine who would benefit from more intensive services. Clients are asked a set series of questions and the answers are fed into the model which will then determine whether they are at risk of prolonged unemployment, and therefore in need of more intensive services.[25] While such procedures can help reduce deadweight loss -- to the extent that they work well -- they do not necessarily indicate what type of services are necessary[26], nor do they imply that those who receive further assistance will necessarily benefit more from it since this will depend on its effectiveness. But hopefully with quicker help to those more likely to need it, unemployment spells can be reduced in length. The value of profiling will only become apparent over time as results become available. Another main advantage that can come from such a process is a more consistent evaluation and treatment of clients, at least based on observable characteristics. This can be important given the large number of staff making decisions on participation in various ALMPs.

Policy implications of evaluations of job-search assistance

- Relatively low-cost interventions can be helpful for certain individuals; the difficulty lies is in deciding who needs help and who does not in order to minimise deadweight losses. In most countries, only a small fraction of the unemployed receive any personal assistance and it is difficult to say how many can -- or should be -- be targeted. New profiling techniques may help bring down the cost of such interventions and allow a larger number of the unemployed to be helped. The key concern in this area is the importance of unobservable factors that are not accounted for in profiling techniques. Short-term deadweight losses must be weighed against more costly interventions for the long-term unemployed, particularly in countries where long-term unemployment is a problem;

- A recent innovation in many countries is the move towards individual action plans for the unemployed at some point in the unemployment spells. There is little evaluation research comparing those who have such plans with others who do not, or when the plans should be introduced during the unemployment spell. Comparing individuals who have plans with those who do not have them would help determine the extent to which the offer of specialised services can help, similar to evaluations of interviews at various stages in the unemployment spell;

- Various forms of job-search assistance appear to be effective in reducing the length of UI receipt and leading to quicker employment. One form of job-search assistance -- re-employment bonuses -- can be effective, but this needs to be combined with tight controls on access, size of bonus and length of qualification period;

- Job-search assistance appears to work well combined with other interventions for many groups, but there is mixed evidence on what works best for specific groups. To some extent, evaluation outcomes will be determined by when an individual becomes eligible for a programme, e.g. at the beginning of the spell, when compensation runs out etc. Programmes falling under the latter category may be less successful than those implemented at an earlier stage on in the unemployment spell. Therefore, an important item to control for in an evaluation is the timing of various interventions;

- The evidence is mixed as to whether job-search assistance can help those who are long-term unemployed or non-employed for considerable periods of time: this assistance has been helpful for

welfare recipients in the United States but not for other disadvantaged groups, e.g. the long-term unemployed. Evidence tends to lie in favour of identifying needs early on in the unemployment spell and combining job-search assistance with other services;

- Youths tend to need more help than just simple job-search advice;

- While evaluations of re-employment bonuses and job-search assistance in the United States have looked at alternative scenarios to estimate the impact of key programme features, many other studies have not. In some cases, this would be difficult, i.e. sample sizes may not be large enough or it may be too complex if programmes are targeted in many different combinations.

D. WHAT WORKS?

Based on evaluation results presented in this paper, the 1993 *Employment Outlook* and the DOL (1995) report, this section reports further information on which programmes appeared to have worked and for whom.

By programme

- *Job-search assistance* appears to be effective for most groups of unemployed persons -- although not necessarily for a large number of unemployed persons -- providing the lowest cost interventions with generally the largest relative payoffs. It is difficult to say whether job-search assistance is more effective by itself or when offered in conjunction with other interventions, and when it should be offered (Table 8). In addition, the longer-term impacts are uncertain..

- *Formal classroom training* appears in two main forms: targeted to specific groups of the unemployed, and training for the unemployed in general. Within the latter, results have been mixed. More recent evaluations of labour market training in Norway and Sweden have noted some success, particularly for courses which were rationed -- thus with implicit targeting taking place -- and geared towards certain sectors. This suggests that the type of course followed and targeting are important to achieve positive outcomes. But many other generally targeted programmes noted no success, and some may have even been detrimental to participants (Table 5).

- Evaluations from North America suggest that positive results from training programmes may take a long time to appear; these programmes are all consistent with the notion that targeting is very important -- both to individual and employer needs -- and that course content is probably important too. Training may also be more effective when it is combined with other services, e.g. job-search assistance. It should not be used to requalify for benefits.

- With respect to training for the employed -- typically through subsidies to employers -- results are mixed. Subsidies may encourage the reporting of more training or recognition of skills as opposed to increasing the volume.

- *Subsidies to employment* can be an important element in a package of ALMPs, particularly for the long-term unemployed or women re-entrants. They can also be successful when combined with training and job-search assistance (Table 6).

- The evaluations suggest that careful controls must be maintained on employment subsidies. They give rise to large deadweight losses and substitution effects, although on average, they appear successful in increasing net employment if targeted well. These negative effects may be considered less important if the object is to re-distribute job opportunities to the targeted group, at least in the short-term. The longer-run impact of subsidies is still not well-studied. Careful controls are also necessary to minimise firms' incentives to use such schemes as a means of permanently subsidising their workforce.

- *Aid to the unemployed to start an enterprise* appears to be a successful intervention, but only for a small group of individuals, and deadweight loss and displacement effects can be high. Once again, robust evaluation results in this area are limited mainly to the United States. These evaluations suggest that motivation and careful screening of possible participants are important determinants of success; relatively less is known on the importance of other determinants of success such as the type of compensation that is offered (e.g. lump sum, unemployment benefits), the importance of counselling and mentoring and so on, although there is some evidence from the demonstration projects that these latter two elements are important (Table 5).

- *Public sector job creation* is usually a last-resort option for individuals who face significant barriers to labour market entry, but who may also benefit from tailored packages that specifically identify their needs, i.e. a combination of services. Most programmes in this area have either had little impact or results are inconclusive.

- *In summary*, the evaluation literature would suggest relying on job-search assistance as a first step in helping the unemployed get back to work. This may necessitate the development of a profiling system to identify those at risk of long-term unemployment to reduce deadweight losses. For those who are long-term unemployed, training can help *if* it is well-targeted. Subsidies to employment can also be used to help the long-term unemployed re-integrate back into work, and may be particularly useful for some job-seekers if combined with on-the-job training. Aid to the unemployed in starting up an enterprise is also a helpful intervention, but it is likely to work for only a small subset of the population.

By group

- *Youths* are the most difficult group to help. There are very few evaluated programmes in any area that appear to have been successful in increasing youth earnings/employment. It appears for this group very careful targeting is needed. For example, one apparent reason for the success of the Job Corps programme in the United States is that it removes youths from an environment which may be detrimental to their study. For youths who have dropped out of school because of motivational problems, it is also unlikely that these problems would disappear in a training course nor, depending on their specific nature, in subsidised work. This suggests that relatively intensive and costly programmes may be needed for youths, and that labour market policies alone cannot solve the problem of youth unemployment. Education and labour market policy need to be considered together, particularly where difficulties lie in low educational attainment resulting from early drop-out from school. As noted in some studies, while programmes may not have lead to greater earnings, they have sometimes resulted in increased educational attainment that should help job prospects over

the longer-term: earnings gains may not be the only relevant variable to examine in impact studies for youths who have a short work history.

- Programmes which have been successful for *women* span all areas of interventions. They appear to benefit from formal classroom training, wage subsidies and job-search assistance. Returns tend to be highest for this group, although it is unclear which programme (or combination of services) works the best or leads to the highest payoff. Some programmes have been successful in reducing social assistance, e.g. National Supported Work Demonstration and OBRA demonstrations in the United States although typically they only reduce receipt of benefits, not eliminate it. Others have been successful in increasing employment and/or earnings, e.g. various North American programmes.

- There is little evidence on what helps *older* displaced workers, although recent Canadian measures in its Employability Improvement Program have had some success through a variety of tailored programmes.

- There is less evidence on measures to help the *long-term unemployed* although they appear to benefit from tailored services, job-search assistance and wage subsidies.

Evaluation of PES functions

- There is little evaluation research on the efficiency of the PES or measures to improve its performance. Some evidence from Canada and the United Kingdom suggests that unemployed workers may benefit from more individual contact with fewer counsellors, and that initial interviews can be important, especially for individuals with particular difficulties in finding work. A summary of evaluation research in the United States suggests that the PES is cost effective in helping some individuals to find work, but that it should not be seen as an agency that can help all individuals. As to how to better combine insurance and placement functions, little is known. One programme in Canada -- the Claimant Re-employment Service -- found that it can be difficult to link these functions, particularly if information is not adequately shared between the two areas.

Some caveats to the results

- Programmes that have worked for one group will not necessarily work for another group; evaluations -- particularly random assignment experiments -- typically show only whether the services offered/received by the group worked for that particular group;

- Evaluations do not show whether results can be generalised to larger groups: programme impacts may differ from what would happen if the programme were an on-going national programme due to programme-entry effects, i.e. labour market behaviour in the presence of a more wide-spread permanent programme may be different (Burtless, 1995 provides some examples);[27]

- Results in one country may not necessarily be the same if the programme were implemented in other countries: spillover effects may differ as might displacement/substitution effects, which will vary with domestic product and labour market conditions/regulations.

- Many programmes combine a number of services to help unemployed workers. Indeed, this is an important element of targeting. But it makes evaluation more difficult and few evaluations can -- or

have -- analysed the discrete impact of a particular service when combined with a number of services.

- Issues of programme design and implementation, staffing etc. may be very important. But there is almost no evaluation evidence on these matters.

- Most evaluations cover only a short period following participation in a programme. They may therefore miss outcomes that only become positive and significant in the long-term. However, programmes that appear successful over the short-term may turn out to be less so over the longer-term.

E. CONCLUSIONS AND RECOMMENDATIONS

What works?

Difficult to address problems of large numbers of unemployed through ALMPs

There are programmes that work for most groups of individuals. But the ability to help large numbers of the unemployed at any given time through ALMPs is limited. In part, this relates to declining returns in large programmes, especially training. In part, it relates to labour and product market distortions that might be introduced or exacerbated with large-scale programmes. On the other hand, a large number of small well-targeted programmes may be very costly if the fixed costs associated with starting-up new programmes are large. Striking the balance between the two is difficult, but necessary.

Job-search assistance effective for most groups

One outcome of evaluation research is that job-search assistance appears to provide satisfactory results on a consistent basis. Given the relatively low share of the unemployed actually helped in any way, some consideration should be given to expanding the numbers who get initial help. Profiling techniques may help increase the number at-risk unemployed who are given this assistance at relatively low cost. Although the deadweight and substitution effects may be higher from a wider provision of job-search assistance, these negative effects should be weighed against the costs of helping individuals who would otherwise be a high risk of drifting into longer-term unemployment, particularly in countries where outflows from unemployment are low. It may be too costly to offer individualised services in countries where flows in and out of unemployment are large. But long-term unemployment is itself costly in terms of foregone output, and also produces negative spillover effects in terms of health and criminality. Costs and benefits need to be evaluated over a longer time horizon.

Many countries are now moving towards individual action plans for the unemployed on the idea that more attention early on in the unemployment spell and/or tailored efforts will lead to more positive outcomes. While this is consistent with the overall approach of better targeting, more information is necessary on the relative impact of these plans vs. not receiving one, and when they should be offered in the unemployment spell.

Programmes appear particularly effective for women but not for youths

Many programmes were found to have some impact in helping women: re-entrants, single mothers, welfare recipients. By contrast, few programmes appear to help disadvantaged youths, at least on their own. Youths probably require a mix of services and both education and labour market policy options should be examined together. This may also mean more expensive interventions overall. For adult men, there is some indication that job-search assistance is effective. For displaced workers, however, evidence is much less conclusive. They may benefit from simple job-search assistance, but they may also benefit from more intensive formal training. The long-term unemployed can be helped through wage subsidies combined with other services, while many severely disadvantaged groups may benefit most from direct job creation, or tailored services encompassing a number of different ALMPs.

With uncertainty over training impacts

Unlike job-search assistance where a relatively large number of evaluations have found positive impacts, this is not the case for publicly provided training. Some studies have found significant positive impacts -- particularly for targeted training, and for training that was evaluated over a longer time period -- while most have not. This uncertainty does not mean that one should write off training programmes in general. It may take time for the impact of training to come through, and where there is no impact, this may reflect problems with the courses or with targeting.

For all programmes, situations where ALMPs are used mainly to requalify participants for unemployment insurance benefits -- and are perceived as such by both employers and participants -- will lower their effectiveness and stigmatise future programmes.

Gains are modest

Payoffs at the individual level in most ALMPs appear modest. Earnings increases tend to come from increases in annual hours worked and not gains in hourly wages, suggesting that ALMPs do not lead to higher quality jobs. Whether programmes are successful in generating net social benefits is unclear since this area is not usually explored in most studies.

Careful targeting is important

Careful targeting is an important determinant of success for ALMPs. Targeting can take a number of different forms: targeting of individuals to specific programmes or groups of programmes; targeting of wage subsidies to certain sectors; targeting of training courses to the needs of the local labour market etc.

Careful targeting of various services, however, can make it more difficult to evaluate programmes. It may be difficult to create adequate comparison groups in a quasi-experimental approach, or it may be difficult and costly to randomise to get an accurate impact of specific elements of a package of services. Thus, in many cases, it is not clear exactly which combination of services works best. Evaluations do tend to suggest, however, that individuals who require a large number of services tend to fare poorly, perhaps because a large number of interventions may actually reduce contact with the labour market.

Programmes may work better over time

Programmes may work better after they have been running for a while. As noted in DOL (1995), many success stories in training were in programmes operating for 5 years or more before they were evaluated, suggesting that the experience acquired in running a programme over time may be an important determinant of its success.

ALMPs should not be examined in isolation

ALMPs need to be examined in the context of the institutional framework of the labour market. They are only one element in a wide range of factors that impact on unemployment. As noted in the OECD *Jobs Study*, there are a number of areas that governments can influence to lower structural unemployment. It is unlikely that ALMPs can by themselves lower structural unemployment significantly without corresponding changes in macroeconomic and fiscal policy.

It is also important to consider carefully the institutional structure of the labour market when analysing programme outcomes. From a policy perspective, a situation where there is no increase in earnings due to unemployment following a spell of participation in a programme is different from one where earnings do not increase due to continuation in education or another programme.

Difficult to generalise results

It is difficult to generalise specific results across regions or countries. Where sample sizes are small, results may not be applicable in a wider context (particularly if programme-entry effects are important). Even if one intervention works for a particular group, this says little about how it might work for another group. And even if applied across similar groups, changes in external factors such as local labour market conditions, aggregate demand, or internal factors such as quality of the service may affect outcomes significantly.

The evaluation process and techniques

Extend evaluation periods

Consideration should be given to extending evaluation periods, particularly in the case of training programmes. Programmes that truly seek to change individual characteristics may take a long time to do so, and may therefore take a long time to show any benefits. Currently, most evaluations are conducted over a relatively short period, in part because of costs, and in part due to restrictions on data availability. Thus, the impact of many programmes is not known with certainty. Although evaluation research has been underway in some countries for a relatively long period of time, few countries have had evaluations that have run for a long period of time. In part, this relates to continual changes that occur to programmes (discussed below).

Make evaluations compulsory in the programme design phase

Consideration should also be given to introducing evaluation procedures into the formulation of ALMPs. This would ensure that the necessary data are collected for a proper evaluation. This would also allow researchers to choose what type of evaluation process they would like to follow as well as ensuring that programme administrators are aware of the evaluation. Including with every programme a proviso that it will be evaluated would contribute to improving methods on how they are done and build up a further body of knowledge in this area. It may also lead to a more systematic approach to evaluations so

that they can be more easily compared. Collecting additional data may help evaluate policy alternatives and tally social costs and benefits.[28]

Use non-governmental outlets to help in research

The need for more evaluations does not mean that governments must carry out these studies themselves, although they should be clearly involved in defining their objectives. In many countries, there are organisations outside the government with specialised knowledge in the area of evaluation research, sometimes in conjunction with the academic sector. Indeed, if the results come from an independent body, they will probably carry more weight.

Problems in timeliness of evaluation results means more needed

There is a problem in getting timely information from evaluations that can help in programme re-design, particularly when evaluations need to be run over a long period of time to provide more accurate results. Typically, programme re-design occurs more frequently than evaluations which may or may not support the need for change. But if a large enough body of evaluation research exists, there will at least be some evidence to support changes in policies driven by political and/or social concerns. In this manner, the results of evaluation research can be integrated with the design process and decision making process in policy changes. More evaluations will also help improve evaluation methods and techniques.

Make evaluations more rigorous

There appears to be room for improvement in evaluation techniques. For example, in the case of quasi-experimental analysis, consideration should be made to testing alternative model specifications since on the margin this should not be too costly. In some cases, this requires further data, something that should be considered during a programme design period. Indeed, collecting further data would help the evaluation process and make results easier to establish.

Future research

Financing of ALMPs not usually considered

The financing of ALMPs -- and alternative methods of financing -- has been given little weight in the evaluation literature to date. It would be useful to examine alternative financing arrangement of ALMPs -- taxation, debt, the amount the participant should bear -- and their relative costs and benefits.

Examine "black-box" issues

More effort needs to be devoted to so-called "black-box" issues. Evaluations tend to say what worked and what did not, but not why. OECD evaluations of the PES indicate the importance of these issues, particularly the importance of the functioning of the PES in the promotion of ALMPs. Evaluations typically take this process as given without examining the relationship between programme outcomes and the rules and procedures that are followed by the PES or other involved bodies. This also includes such things as the quality of the training of staff, the specific programme features, how they are implemented etc. While it may not be feasible to include such items in impact evaluations, consideration should be given to running complementary evaluations of these aspects of ALMPs.

Few of the key factors that may make a programme successful are currently identified in evaluation studies. ALMPs -- like passive policies -- have a number of different features which may swing the balance on making them effective or not. More effort needs to be devoted to identifying them. In addition, given that impact evaluations tell only what works for the particular group analysed, more evaluations on what works for various disadvantaged groups is an important element in developing a coherent strategy to help the non-employed, and particularly the unemployed.

NOTES

1 Robinson (1995) notes that in a downturn ALMPs are further constrained by the need to rein in budget deficits. To remain cost-neutral, either per capita programme costs have to fall, programmes have to become more efficient or ALMPs have to be scaled back despite the fact that this is the moment when they are needed most. Other authors have noted that ALMPs and macroeconomic policy should be complementary, i.e. if expenditure-reducing policies are in place, an ALMP is more likely to lead to displacement effects than if macroeconomic policy were expansionary [Haveman and Hollister (1991)].

2 See also Calmfors (1994).

3 As one example, efficiency wage theory indicates that firms may be unwilling to take on individuals who benefit from a subsidy because the subsidy itself indicates to them that these are not the higher-productivity individuals that the firm wants. An examination of different wage subsidy programmes by Burtless (1985) indicated that individuals who approached an employer by offering a wage subsidy (either through a tax credit or cash subsidy) fared worse than individuals without a subsidy. In addition, if the level of pay is used as a motivating factor to recruit the best staff, subsidies may be irrelevant in the hiring decision. Furthermore, in a regime of tight employment protection legislation, firms may be unwilling to recruit workers, regardless of the subsidy.

4 For example, with respect to training, a rapid expansion of programmes could lead to a shortage of teachers, crowding out of regular training provided outside programmes and so on.

5 Starrett (1991) goes into detail on exactly how to measure benefits and costs and the likely information needed to do the analysis. This includes calculating changes in economic welfare, e.g. changes in consumer surplus as a result of a project. One simplification that Starrett (1991) and Meyer (1995) note is that benefit-cost analysis should ignore all direct transfers since one person's gains are the result of another person's losses (i.e. they cancel out if lump-sum transfers).

6 There is not much discussion of the financing of programmes, either in terms of whether individuals should contribute to help finance their own participation (and how this may affect success). In the case of training, human capital theory indicates that costs for general training should be borne by the individual while the costs of specific training should be financed by both the employer and employee. Standard questions such as liquidity constraints arise. Heckman *et al.* (1993) note, however, that the way a programme is financed may have implications for labour supply. For example, a payroll tax to finance training will have adverse consequences on employment and wages. If labour supply is perfectly inelastic, wages are reduced by the amount of the tax. If labour supply is perfectly elastic, employment is reduced.

7 Some pertinent macroeconomic studies have also been included under job-creation programmes. See the 1993 *Employment Outlook* and Calmfors (1994) for reviews of macroeconomic studies.

8 Heckman and Smith (1995) point out that, while experiments appear to provide point estimates of the impact of ALMPs, these estimates may not be very precise for specific programmes. For example, in the U.S. Job Training Partnership Act, participants were divided into three streams. Each of these offered a number of different options to the treatment group, some of which were in fact offered and some of

which were not allowing site administrators flexibility to use what they deemed necessary. But there was no randomisation at each step thus the precise effects of each are not known, i.e. multi-stage randomisation did not occur.

9 In any evaluation, the null hypothesis must be carefully formulated. For example, assume a training programme offered to a group through random assignment shows no significant impact on the outcome variable. First, it is a conditional finding on the fact that individuals know of the existence of the programme and have been offered it. Second, it shows that relative to actions taken by the control group, there was no significant impact of this specific programme. Control group members typically have other fall-back positions which means that the null hypothesis is not a no-service scenario. In the JTPA, the experiment evaluated the incremental services provided by the JTPA beyond those outside it [Bloom *et al*. (1994)]. The programme impact measured is therefore not relative to no services but to those received by the control group, i.e. all those available in the community. Heckman and Smith (1995) note one other additional point: the counterfactual cannot be assumed to be one in which the JTPA does not exist. The fact that is does exist influences the level of alternative services, i.e. they are endogenous. Without the programme, their level might increase. Finally, the only thing that can be said is that the particular service undertaken either worked or did not for the group in question. Nothing can be inferred about the likely effect of the service for other groups.

10 An annex detailing various econometric methodologies is available from the author.

11 There have been studies on implementation problems with programmes and how this has led to design changes in programmes from those initially envisioned (OECD, 1991).

12 It is also important to note that even when a programme impact is significant, this does not mean that many people have benefited from the programme, or that if the programme were expanded, that more people would benefit.

13 When the only matter of interest is whether a programme worked, either method can work well. But as Heckman and Smith (1995) point out, when questions are asked of a structural nature, a quasi-experimental approach is preferred. They point out that structural models allow the estimation of structural parameters that can be used to test a wide variety of possible options (they cite the estimation of labour supply elasticities as an example). However, Burtless (1995) argues that this does not preclude the use of econometric procedures based on data from random assignment experiments.

14 Random assignment was implemented into the JTPA while it was ongoing. See Heckman and Smith (1995) for a discussion on the possible effects of this introduction.

15 As Reutersward (1995) notes, control groups may be given the conventional treatment and treatment group members may be given the untested treatment, which *may* be better.

16 A more complete description of each programme and evaluation procedure is available from the author, which provides more details on possible problems with the evaluations. There was no attempt made to try and harmonise the data from the various evaluations. Some do not estimate actual earnings increases but rather probabilities. And where earnings gains were published, there was not always sufficient information to allow harmonisation.

17 Differences in details provided in the descriptions reflect among other things differences in details provided in the studies, which may reflect differences in evaluation techniques and the outcome variables examined. Where possible, the tables reveal impacts that are *significant* at the 5 or 1 per cent level of confidence.

18 This option provided formal training to participants through the purchase of training in either a public or private institution.

19 One of the 13 centres, however -- in San Jose -- had the reverse results, i.e. large success with earnings gains of over $3 000. This may have been due to its close connections with the local labour market.

20 This point is also made by Heckman *et al*. (1993) where they note that, if the average annual return to human capital investment is around 10 per cent, to add $1 000 earnings per year to the average person, it would be necessary to make a one time investment of $10 000. Furthermore, if there were large returns to be gained, these would be taken care of in the market place, assuming no market failures, e.g. liquidity constraints etc.

21 Snower (1995a, 1995b) has recently proposed a benefit-transfer programme (BTP) where the unemployed could, on a voluntary basis, use a specified fraction of their unemployment benefit as a subsidy to recruitment. While the BTP has all of the standard problems associated with ALMPs (as outlined in Section B), Snower proposes to minimise deadweight losses by targeting at the long-term unemployed (and where inflationary pressures resulting from a subsidy are likely to be weakest), and that the level of the subsidy (or amount of the benefit) increase with the duration of unemployment (but not exceed the amount of the benefit), and taper off as the employment spell increases. In addition, training could also be attached as a condition21. Snower shows that for various estimates of the elasticity of labour demand and displacement effects etc. -- which are themselves open to some debate -- that the BTP could lead to employment gains and unemployment rate declines, although for reasons outlined, it is unlikely that they would be large in the short-term.

22 Snower notes this may reduce physical capital formation if capital and labour are complements in production. While there may be concern that lowering the effective cost of labour may distort capital/labour ratios, Snower (1995a) also notes that these inefficiencies are likely to be small, particularly compared with long-term unemployment, and the inefficiencies that can arise from market failures (excessive wages and larger unemployment as described through insider/outsider theories, efficiency wages etc.).

23 A number of countries have such schemes underway, but robust evaluation results are generally unavailable. Countries include Canada, France and Spain in addition to those listed in the 1993 *Employment Outlook*. For further information on these programmes, see OECD (1995b).

24 But in a downturn, job creation schemes tend to suffer from a number of efficiency problems, e.g., displacement and substitution effects increase, and the public sector finds it difficult to implement worthwhile schemes quickly.

25 Not all clients are necessarily “profiled”. For example, the DOL model looks only at displaced workers not expecting recall and who do not have a union hall agreement.

26 Limitations on the type of data that can be requested from clients can limit the usefulness of such procedures. For example, DOL (1994) noted that requesting information on race, age or sex for use in the model -- and to use in targeting -- might run into legal problems and therefore such information was not sought. Furthermore, without going into detail on the actual equations used, most are parsimonious reduced forms that may suffer from a number of statistical problems. To the extent that unobserved characteristics are important, this may also affect the statistical properties of the model, and hence its predictive accuracy. For example, motivation is typically considered an important unobserved characteristic that may influence the success of a programme for a participant. This may be proxied by variables such as age or family status although the former cannot be used in the United States model. Jackman (1995) points out that unobserved differences in productivity and the desire to work can also be important, i.e. unemployment benefits may lead both high and low-productivity individuals to remain

unemployed. Withdrawal of these payments may then induce high-productivity individuals to find a job and those with low productivity onto schemes. Using solely observable characteristics to screen workers into programmes may therefore complicate the effort to aid those who truly need help.

27 The "participation" -- or scale -- effects of programmes are difficult to measure although it can be attempted by examining changes in labour market flows when a programme has been introduced (see Table 2.3 in the 1993 *Employment Outlook*). Even then, however, it is difficult to account for all factors that affect labour market flows other than ALMPs.

28 In Australia, for example, as part of the process of introducing the initiatives in the “Working Nation”, a decision was made to set up a longitudinal survey covering four to five years of jobseekers to help evaluate the strategy.

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ANNEX

Table 1. Definitions of frequently used terms in the evaluation literature on ALMPs

Term	Definition
Deadweight loss	The outcome of the programme is no different from what would have happened in its absence. A common example is a wage subsidy to place an unemployed person in a firm, where the hiring would have occurred even without the subsidy.
Substitution effect	A worker taken on by a firm in a subsidised job is substituted for an unsubsidised worker who would have been hired. The net short-term impact on employment is therefore zero.
Displacement effect	Typically, this refers to displacement in the product market. A firm with subsidised workers increases output, but displaces (reduces) output among firms who do not have subsidised workers. This could also occur in aid to help individuals start up enterprises. There may also be "fiscal displacement" with respect to labour market policies; fiscal displacement exists when central governments provide funding to local governments -- typically for job creation projects -- who in turn use this funding to carry out projects that they would have implemented anyway.
Selection bias	In an evaluation study, selection bias exists when programme outcomes are influenced by unobserved (or difficult-to-observe) factors that are not controlled for in the evaluation. For example, bias may be the result of unobserved differences in individual motivation. It can also arise as a by-product of the administrative selection process whereby certain individuals are selected for programmes based on their observed characteristics (administrators may "cream" the best to maximise the success of a programme) etc.
Randomisation bias	This refers to bias in random-assignment experiments. It can encompass a number of different areas including problems with site selection for experiments, drop outs from programmes that leave the sample non-random and so on. There is also the so-called "Hawthorne" effect. In essence, this says that the behaviour of individuals in an experiment will be different because of the experiment itself and not because of the goal of the experiment. Individuals in the experiment know that they are part of the treatment group and act differently. The same could hold true for those outside the treatment group.

Table 2. Theoretical impacts of ALMPs and some unanswered questions.

Labour market programme	Possible positive effects	Possible negative effects	Some questions to be answered
Subsidies to employment	1. May lead to permanent employment (better matches) by helping individuals develop work-related skills; 2. May create turnover in the labour market and help to reduce insider power; 3. May increase "effective" labour supply by helping individuals maintain contact with the labour market, resulting in lower wage pressures for a given level of aggregate demand; 4. To the extent that participation in it is voluntary, it can be used as a work test (this effect applies to most programmes).	1. Deadweight loss, substitution and displacement effects; 2. May increase wage pressures (applies to all programmes) by reducing the cost of unemployment to the individual (via insider wage mechanisms);	1. Who should receive the subsidy (employee or employer)? 2. How long should the subsidy last? 3. What form should it take, i.e. lump-sum or spread out over time? 4. Should training be an element of the job? 5. What is the optimal size of the programme? 6. At what point in the unemployment spell should it be offered (applies to all programmes)? 7. How should funds be raised for the subsidies (also applies to all programmes).
Public sector job creation	1. May help severely disadvantaged groups regain contact with the labour market.	1. Crowding out of private sector jobs; 2. Stigma attached to them may not increase the employability of the individual; 3. The principal of additionality may lead to jobs that otherwise wouldn't have existed, but these jobs may be of low marginal product; 4. May increase insider power by reducing cost of unemployment.	1. How long should the job last? 2. Where should the jobs be located to minimise displacement? 3. How to maximise the benefits of such a job despite their typically low marginal product? 4. What level of compensation should be offered? Should it be related to the previous wage, the market wage, the average wage?
Re-employment bonus	1. May help reduce length of unemployment spell; 2. May increase "effective" labour supply.	1. May lead to increased budgetary costs as individuals claim benefits who otherwise would not have done so in the absence of the programme.	1. What controls are necessary e.g. size of bonus, qualification period, re-employment period, etc.?

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Table 2. Theoretical impacts of ALMPs and some unanswered questions.

Labour market programme	Possible positive effects	Possible negative effects	Some questions to be answered
Counselling/job search assistance	1. Help reduce length of unemployment spell; 2. May help reduce insider power; 3. May increase "effective" labour supply.	1. Deadweight loss. 2. May lead to displacement of longer-term unemployed if offered early in unemployment spell.	1. At what point in an unemployment spell should intensive counselling be offered? 2. How often should job search/availability be tested?
Aid to unemployed to start up an enterprise	1. Helps create entrepreneurial spirit. 2. May strengthen product market competition.	1. Deadweight loss; 2. Displacement of unsubsidised firms may take place.	1. What support -- e.g. financial, technical -- should be provided to those starting up an enterprise? 2. How long should the support last? 3. Should funding be in the form of a grant, income support etc.? How does this affect entry into different types of industries (i.e. those with low barriers and low profits and those with high barriers and larger profits).
Formal classroom-based training	1. Increase productivity of the unemployed individual to match that required in job openings; 2. Increase in "effective labour supply."	1. Deadweight loss; 2. Possible displacement effects (of others in training programmes, or employed workers);; 3. Reduced search intensity since during the training period the individual usually does not have contact with the labour market. Expensive; 4. May increase insider power by reducing the cost of unemployment.	1. How to gear training to employer and labour market needs , i.e. what should be the course content? 2. Should it be employer-based, public? What is the optimal mix? 3. When should training begin? 4. What should course length be to maximise effectiveness and long-run benefits but minimise "locking in" effects and time out of possible employment and resulting foregone earnings? 5. Should participation be voluntary, i.e. should it be used as a work-test? 6. Should compensation be paid during the course? If so, at what level?

Table 3. Costs/benefits of programmes		
Level	Costs	Benefits
Individual	Opportunity cost of being in a programme relative to job search. This would vary with the type of individual, i.e. income loss is smaller for low-wage earners than for prime-age displaced workers. Direct costs of participation in programme should they exist.	Gains in future earnings/employment through participation in the programme.
Government	Programme costs and administrative costs.	Longer-term reductions in unemployment resulting in lower programme and administrative costs. Reduced reliance on unemployment benefits and social assistance. Programme output. Increased tax revenues resulting from employment/wage gains.
Social	Substitution/displacement effects and deadweight losses in addition to direct costs to governments.	Reduced crime (perhaps lower health care costs). One would expect these spillover effects to be quite different for different groups of individuals, e.g. reduced criminality would apply mainly to youths. Spillover effects of programmes on other individuals, i.e. training may inspire other household members to upgrade skills; self-employment schemes may create jobs for non-participants etc. Perhaps increased co-operation among different levels of government and regions.

Table 4a. Pros and cons: random assignment experiments

Pros

1. *Simplicity*: generally simple to interpret and simple to understand;
2. *Accurate*: effects of treatment on behaviour can be measured accurately (but see below);
3. *Bias*: free of selection bias.

Cons

1. *Ethical considerations*: not granting access to a programme simply because of chance;
2. *Cost*: they are very costly, both in terms of money and time. They may involve a number of sites, large number of administrators etc.;
3. *Implementation problems*: may be difficult to implement both politically and if site administrators where programme will be tested are opposed to it . Also difficult to implement in an existing programme; easier in a new programme;
4. *Outcomes*: experiments measure only mean differences between participants and non-participants, not the full distribution of outcomes; for example, they typically do not gratify marginal impacts, i.e. if the programme were expanded or contracted, what would be the impact on those who enter or leave?;
5. *Uncertainty over evaluation period*: it is difficult to know how long a programme takes to modify behaviour and therefore the appropriate length of the evaluation period;
6. *Non-experimental adjustments*: experiments may still require non-experimental methods to correct for some problems, e.g. attrition problems from sample which may leave the subsamples left for the final analysis unrepresentative of the population originally enrolled in the experiment;
7. *Randomisation bias*: this occurs when the type of person that participates in a programme is different than the type of participant who would participate in the programme as it normally operates. Experiments themselves may affect those receiving programme services, e.g. since only some randomly selected individuals receive the treatment, this may actually deter possible programme applicants from applying since they may not receive the treatment or they may decide to delay work until they are eligible for the programme, seek equivalent training elsewhere etc.;
8. *Sample contamination*: site administrators may try to enrol as many individuals as possible in the experiment, making the group different from that who would have enrolled in the absence of the programme.
9. *Treatment contamination*: the programme may disrupt services of an on-going programme, or change how site administrators offer services;
10. *Site self-selection*: organisations that provide labour market programmes may decide not to participate in a programme;
11. *Substitution bias*: control group has access to and participates in programmes similar to that of the treatment group (usually possible with respect to training, particularly if offered in a public institution);
12. *Crossover bias*: when control group members cross over to the treatment groups (not usually a large problem).
13. *Programme entry effects*: population enrolled in the programme and the control groups are not representative of the population that would be affected if the programme were an on-going national programme.
14. *Multiple experiments*: to precisely tailor a programme may require more than one experiment; for example, the first to deal with the impact, and the second to deal with the appropriate delivery service.
15. *Partial equilibrium*: the impact is a partial -- not general -- equilibrium result. Therefore, substitution, displacement and deadweight losses are not estimated. To the extent that programmes are small, this consideration is not very relevant. However, it means that it may be difficult to infer more general results.

Sources. See Table 4b.

Table 4b. Pros and cons: quasi-experiments

Pros

1. *Cost*: typically lower than random assignment experiments since the evaluation usually uses existing data sources; if it involves the creation of a new data set, it might be costly;
2. *Outcomes*: can measure mean differences in outcomes plus the distribution of outcomes , i.e. marginal effect on potential participants (depending on assumptions used in the modelling process);
3. *Knowledge*: these studies can help build the knowledge of economists on structural aspects of the labour market;

Cons

1. *Numerous estimates*: econometric procedures usually provide a range of estimates which may be confusing to the policy maker. Results can vary depending on the model specification chosen, especially where theory allows a number of alternatives. Numerous estimates are really only a problem if there is no adequate method to distinguish among them. Many evaluation studies do not conduct sensitivity analysis or adequate tests of model specification.
2. *Complex*: evaluations can be difficult to understand since they typically use complicated analysis involving a variety of econometric techniques which require strong assumptions about the distribution of the error term.
3. *Programme entry effects*: see above. This also applies to econometric analysis of new programmes or analysis of existing programmes.
4. *Comparison group problems*: estimates will be sensitive to how the control group is selected, and how closely it is matched to programme participants. It may be difficult to get a good comparison group from general surveys, particularly when programmes are focused on narrowly targeted groups that may not well-represented in such surveys;
5. *Selection bias*: selection bias is random and uncertainty therefore exists about its size; thus it is difficult to know how much of a problem it may be;
6. *Contamination bias*: depending on the data set used for the comparison group, it may include some individuals who underwent training e.g. if a labour force survey is used to create a comparison group, in some cases it is unknown whether an individual underwent training during the treatment period.
7. *Data sets*: typically, a number of data sets are needed since relatively few would have enough detailed characteristics of individuals. Many data sets, however, are not constructed for use in evaluation studies and must be adapted specially for this purpose, which may be costly and not all that successful.
8. *Partial equilibrium*: see above.

Sources: Burtless (1993, 1995); Heckman (1993); Heckman and Smith (1995); OECD (1991).

Table 5a. Training programmes for the unemployed: general training			
Programme name	Method	Key result	Source and notes
Belgium *Firm survey*	Employer interviews	deadweight = 35% substitution = 9%	Van der Linden (1995) Displacement effects not estimated.
Australia *Jobtrain programme*	Matched comparison group analysis	Employment rates were about 12 percentage points higher relative to the comparison group, but programme appeared less effective than other strategies e.g. Job Clubs; Appeared to be most effective for the long-term unemployed; Impact was strongest immediately after course , i.e. if job was not found immediately, after 5 months participants who were still unemployed had no better chance of getting employment than other similar unemployed.	DEET (1994) Selection bias likely.
Norway *Labour Market Training*	Quasi-experimental	Significant impact of labour market training which leads to formal qualifications, but only for qualifications leading to employment in one sector as defined by public services, administrative and technical work.	Raaum, Torp, and Goldstein (1995a). Did not distinguish whether programme participant ends up in another ALMP, e.g. subsidised employment.
Norway *Labour market training*	Quasi-experimental	Found no evidence that LMT motivates participants to go further on in education. Vocational LMT is positively related to employment for those who plan to actively look for work; employment effects may be negatively related to the level of unemployment.	Raaum, Torp, and Goldstein (1995b); Possible selection bias.

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Table 5a. Training programmes for the unemployed: general training			
Programme name	Method	Key result	Source and notes
Sweden *Labour market training*	Quasi-experimental	For individuals who entered training in 1989, there was a significant negative impact on earnings in 1990; this held for all groups together and youths separately. The negative impact on earnings declined in 1991 suggesting that a longer time period might be necessary to gauge the impact accurately. For individuals who entered training in 1990, the impact on earnings in 1991 was negative and significant for all groups.	Regnér (1993)
Sweden *Vocational training*	Quasi-experimental	Those who participated in training in 1994 experienced a significant 3 per cent gain in earnings compared with the control group over the 6 month follow-up period. But those individuals who graduated in 1992 had a 1.9 per cent decline in earnings, this earnings drop was not significant.	Tamás, Harkman and Jansson (1995)

Table 5b. Training programmes for the unemployed: targeted training			
Programme name	Method	Key result	Source and notes
Canada *Job Development Programme* (geared towards the long-term unemployed) *General projects option* (minimal training; mainly job creation) *Individually subsidised jobs* *Severely employment disadvantaged* Canada *Job entry programme* (geared to youths and women re-entrants) *Entry option* (training and work experience) *Re- entry option* (training and work experience)	Quasi-experimental	Insignificant negative earnings impact in short and long-run although it appears that an additional week of training does increase earnings; Insignificant negative impact on employment. Significant positive short-run increase in earnings but disappeared over long-term; Significant positive short and long-run impacts on employment. The long-run impact was a gain of about 11 percentage points; Insignificant negative impact on earnings in either short or long-run; Significant positive short-run impact on employment but insignificant positive impact in long-run. Significant short-run impact on earnings, but insignificant long-run impact; Significant positive employment impact in short-run but insignificant in long-run Significant short- and long-run impacts on earnings. Long-run impact was a gain of about $2 800, roughly half of the short-run impact; Significant short- and long-run employment impacts (employability gain of about 23 percentage points, but declining to 6 percentage points in the long-run);	Abt Associates *et al*. (1993)

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Table 5b. Training programmes for the unemployed: targeted training			
Programme name	Method	Key result	Source and notes
Direct purchase option (training only)		Insignificant short-run impact but significant positive long-run impact on earnings of about $3 000; Significant short- and long-run employment impacts (but decline from 12 to 6 percentage points in the long-run).	
Canada *Evaluation of the Severely Employment Disadvantaged Option*	Quasi-experimental	For wage projects: men experienced a gain in employability of 11.9 per cent and women 15.6 per cent. For allowance projects, the combined gain was 15.4 per cent for both groups. Significant increases in earnings of about $2 600 to $3 800.	Trican (1993)
Canada *Employability Improvement Programme*	Quasi-experimental		HRDC (1995)
Job Opportunities		Significant increase in annual weeks worked of about 13 weeks and increase in annual earnings of about $4 800.	
Project-based Training		Significant increase in annual weeks worked of about 11 and annual earnings gain of about $3 800.	
Purchase of Training		Significant increase in annual weeks worked of about 12 weeks and annual earnings of about $5 000.	
United States *JTPA-IIA Classroom training option*	Random assignment experiment	No firm evidence of significant earnings gains for any group.	Bloom *et al*. (1994)
United States *Trade Adjustment Assistance Programme*	Quasi-experimental	Training had no significant impact on earnings of those who participated in training in the TAA programme relative to those who received no training;	Decker and Corson (1995)

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Table 5b. Training programmes for the unemployed: targeted training			
Programme name	Method	Key result	Source and notes
United States (Pennsylvania) *Displaced Workers Educational Training Program (DWETP*)	Quasi-experimental	Gains of 6 to 7 per cent for high-tenure men from classroom training; they also benefited from job search assistance; gains for women were lower. Type of course followed was important.	Jacobson *et al*. (1994)
United Kingdom *Employment Training (ET) and Employment Action (EA)*	Quasi-experimental	ET resulted in a significant impact of getting a job once the programme ended. There was no significant impact from EA. For ET: employment gain of 5 to 10 per cent (relative to the comparison group) for men and 0 to 5 per cent for women in terms of months worked. Participation in ET/EA had no impact on wages (no distinction was made between ET/EA schemes). But for those who received classroom training, a significant and positive impact on earnings of about 6 per cent was realised. For those who had held a job prior to the current one in which the interview took place, training had a significant impact of about 9 per cent. For those who gained a qualification, the gain was 12 per cent and significant. These gains may have disappeared over the longer-term.	Payne *et al.* (1996) Selection bias likely for analysis of employment programmes. For wage analysis, sample size was small and may have affected results.

Table 5c. Training programmes for the unemployed: youths			
Programme name	Method	Key result	Source and notes
United States *JTPA Title II* -- youth training (various strategies including classroom training, OJT/job search assistance etc.)	Random assignment experiment	No statistically significant positive effects for out-of-school youths in any of strategies tested; no reduction in youth crime or welfare receipt;	DOL (1995)
United States *JOBSTART*: similar to Job Corps programme but in a less intensive non-residential setting.	Random assignment experiment	No significant increase in employment/earnings over 4 year follow-up period despite increased educational attainment; one site in San Jose was different with large earnings gains for programme participants.	DOL (1995)
Norway *Vocational Training Programme*	Quasi-experiment	Probability of finding employment was highest for those who completed the course. But there may be a problem with selection bias. An attempt to correct for it indicated that the highest probability of getting a job was for those who followed about 20 weeks of training.	Try (1993) Selection bias likely.

Table 6. Subsidies to employment			
Programme name	Method	Key result	Source and notes
Belgium *Firm survey*	Employer interviews	deadweight = 53% substitution = 36%	Van der Linden (1995) Displacement effects not estimated.
Australia *Jobstart programme*	Survey questionnaires of different groups	Individuals from Jobstart were more likely to be employed after the programme ended (6 months later) than the CES sample (60 vs. 30 per cent). They also had higher employment rates than the LMP sample.	Byrne (1994) Selection bias likely
United Kingdom *Training and Employment Grants (TEGS II)*	Employer /Employee surveys	Deadweight losses of about 16-20 per cent.	NERA (1995) Displacement effects not estimated
United Kingdom *Jobstart*	Employer /Employee surveys	Deadweight losses of 69 per cent, i.e. 69 per cent of recipients would have taken job in absence of subsidy.	NERA (1995) Displacement and substitution effects not estimated
United States *JTPA-II A OJT/JSA* (could be subsidised or unsubsidised employment)	Random assignment experiment	Estimated impact on earnings for women are significant and positive for each period; adult men, earnings gains are only significant in the second period and approach significance for the entire period; No effect on youths	Bloom *et al*. (1994)

Table 7. Aid to unemployed to start-up enterprises			
Programme name	Method	Key result	Sources and notes
United States *EDWAA Job Creation Demonstration*	Site visits/interviews	Significant positive results recorded in self-employment job generation, but earnings lower than the average EDWAA wage.	DOL (1994b) Displacement/substitution/dead weight losses not estimated.
Washington *Self-Employment Demonstration Project*	Random assignment experiment	1. Treatment group was more likely to be self-employed; enter it earlier and spend more time in self-employment than controls; 2. Reduced the likelihood of wage and salary employment, delayed start of such a job, and reduced its duration and earnings. 3. The programme overall increased the likelihood of employment and duration of it by about 2 months (significant). 4. No significant increase in earnings as a result of programme. 5. Reduced UI payments by about 6 weeks (significant) but after lump-sum payment was factored in, overall costs to UI budget higher than control group.	DOL (1994a)
Massachusetts *Self-Employment Demonstration Project*	Random assignment experiment	Similar to Washington Demonstration except results were reversed for 2 and 4. Total employment gains of about 3 months (significant). Reduced UI payments by about 2 weeks (significant) and thus a net saving to UI fund.	DOL (1994a)
Norway *Entrepreneur grants*	Survey	Find that better educated and those older than 30 had a larger chance of success. About half of those who started businesses were still in business roughly four years later.	Bolkesjø, Jørgensen, Reiersen, Raaum, (1995) Deadweight losses, displacement effects not estimated.

Table 8a. Job search assistance: re-employment bonus programmes			
Programme name	Method .	Key result	Sources and notes
United States Illinois UI Incentive Experiments; July to November 1984	Random assignment experiment	Significant mean decline of about 1 week in number of weeks of benefit received. No significant change in earnings.	Meyer (1995)
New Jersey UI Reemployment Demonstration; July 1986 to June 1987	Random assignment experiment	Significant decline of close to 1 week of benefits when combined with job search assistance. No significant change in earnings.	Meyer (1995)
Pennsylvania Reemployment Bonus Demonstration; July 1988 to October 1989	Random assignment experiment	Small decline in number of weeks of benefit -- around 1/2 a week, but only statistically significant with a "high" bonus and long qualification period.	Meyer (1995)
Washington Reemployment Bonus Experiments; February to November 1988	Random assignment experiment	Same as above.	Meyer (1995)

Table 8b. Job search assistance: other programmes			
Programme name	Method	Key result	Sources and notes
Australia *Job Clubs*	Survey of participants	Job club participants were more likely to be employed (impact of 11 percentage points) than the comparison group. Previous participants in an LMP had less success.	Redway and Patston, (1994) Selection bias likely
Canada *Industrial Adjustment Services*	Quasi-experimental	IAS participants took significantly longer to begin active job search and spent more weeks in it: about 12 weeks longer unemployed and a $7 200 greater income loss.	Ekos Research Associates (1993)
Canada *Evaluation of the Claimant Re-Employment Service*	Employment centre survey	Attempted to provide more intensive services to the unemployed who would benefit the most, and to improve co-ordination between employment and insurance officers. The latter did not succeed, and due to "creaming", certain groups of UI claimants were helped at the expense of others.	HRDC (1992)

contd.../

Table 8b. Job search assistance: other programmes

Programme name	Method	Key result	Sources and notes
Canada *Evaluation of the Canada/New Brunswick youth strategy*	Quasi-experimental;	Only significant impact was the youth strategy with a significant increase in 0.3 years of education.	Norpark Research Consultants (1994)
United States *Charleston Claimant Placement and Work Test Demonstration*	Random assignment experiment run from February 1983 to December 1983	Only significant decline in UI benefits claimed came from combination of 2 interviews with job search session (0.76 weeks). Decline in UI benefits from treatments of 2 and 1 interview sessions only respectively, of just over half a week, but not significant. Increase in total earnings recorded in each.	Meyer (1995)
United States *New Jersey UI Reemployment Demonstration*	Random assignment experiment run from July 1986 to June 1987	Significant decline of about half a week in weeks of benefits claimed for job-search assistance and increase in earnings.	Meyer (1995)
United States *Washington Alternative Work Search Experiment*	Random assignment experiment run from July 1986 to August 1987	Only recorded decline in benefits claimed came from intensive work search of about half a week but not significant (borderline). Where reporting to PES was excepted a significant increase of over 3 weeks of in benefits claimed was recorded	Meyer (1995)
United States *Nevada Claimant Placement Programme*	Random assignment experiment run from February 1977 to March 1978	Large (largest of experiments) significant decline in weeks of UI claimed. About 3.9 weeks.	Meyer (1995)
United States *Wisconsin Eligibility Review Pilot Project*	Random assignment experiment run from March 1983 to August 1983	Small insignificant decline in weeks claimed of just over half a week.	Meyer (1995)
United States *JTPA-II A "Other services"* typically job search assistance	Random assignment experiment	Adult women experienced large positive and statistically significant earnings gains over all periods; for men, while positive not significant; No effect on youths	Bloom *et al.* (1994)

contd.../

Table 8b. Job search assistance: other programmes			
Programme name	Method	Key result	Sources and notes
Netherlands *AAJ: meer dan een aai?*	Quasi-experiment	Counselling offered to youths had little impact on job chances or education enrolment. Temporary job placement appeared to lead to regular employment gains of about 20 per cent.	de Koning *et al*. (1994)
New Zealand *JOB ACTION*	Quasi-experimental	Geared at the very long-term unemployed; No evidence of reduced benefit receipt or take-up of training, and only a marginal impact on take-up of full-time work.	New Zealand Department of Labour (1995) Selection bias likely.

Table 9. Summary of lessons from the evaluation literature			
Programme	Appears to help	Appears not to help	General observations
Job search assistance (JSA) (job clubs, individual counselling, bonus payments etc.)	Most unemployed but in particular, women and sole parents.		Require careful controls.
Classroom training	Women re-entrants;	Youths (if not combined with other programmes); Prime-age men and older workers with low initial education.	Important that courses signal strong labour market relevance, or signal "high" quality. Youths are likely to need a combination of programmes targeted at their specific labour market needs. More evidence required for displaced workers. Follow-up evaluation period needs to be longer as length of course increases.
On-the-job training	Women re-entrants, single mothers.	Youths (if not combined with other programmes);	Must meet specific labour market needs.
Subsidies to employment	Long-term unemployed; Women re-entrants.	Youths (if not combined with other programmes);	Require careful targeting and adequate controls to maximise employment gains and social benefits.
Direct job creation	Severely disadvantaged labour market groups.		Typically provides few long-run benefits and principle of additionality usually implies low marginal-product jobs.
Aid to unemployed starting enterprises	Men (below 40, relatively better educated).		Only works for a small subset of the population.

Notes: The above table was filled out based on evaluation results presented in Tables 1 to 8, DOL (1995), HRDC (1994) and OECD (1993).

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