



**USAID**  
FROM THE AMERICAN PEOPLE

## USAID KNOWLEDGE SERVICES CENTER (KSC)

# Effectiveness of Active Labor Market Programs:

A Review of Programs in Central and Eastern Europe and the Commonwealth of Independent States

December 23, 2009

# Effectiveness of Active Labor Market Programs: A Review of Programs in Central and Eastern Europe and the Commonwealth of Independent States

Anne Marie Spevacek, Senior Research Analyst

KSC Research Series

## ABSTRACT:

Over the past half century, active labor market programs (ALMPs) have emerged as a policy intervention frequently used in both developed and developing countries, contributing to increased employment opportunities while also addressing social problems that often accompany high unemployment, i.e., inclusion and participation in the labor market. ALMPs are employed in all Middle East and North African countries, and to a lesser extent in East Asia. Over the past decade they have gained considerable traction in Central and Eastern European (CEE) and the Commonwealth of Independent States (CIS) countries. This document presents results of quantitative research on the effectiveness of ALMPs in the CEE and CIS regions. A list of studies is located in Annex 2.

The effectiveness of ALMPs has been the focus of much debate in the literature. Each type of ALMP affects a country's labor market differently, based on varying contexts. **Because availability of quantitative data and evaluations<sup>1</sup> is limited in CEE and CIS countries, caution is warranted when making a final ruling on how well ALMPs work in a transition environment.**

---

This document was initiated by and prepared in collaboration with USAID/Europe and Eurasia (E&E) Bureau's Social Transition Team.

This document was produced by the USAID Knowledge Services Center for review by the U.S. Agency for International Development. The USAID Knowledge Services Center is operated by Bridgeborn, Inc. and Library Associates, and funded by M/CIO/KM and M/HR/TE under contract AID-OAA-C-08-00004. The contents of this document are the sole responsibility of the Knowledge Services Center and do not necessarily reflect the views of USAID or the United States Government.

---

<sup>1</sup> In addition, little cross-national analysis has been conducted.

According to the studies reviewed here, increased financial support for ALMPs may be warranted. In CEE and CIS regions, research indicates that ALMPs have a positive and statistically significant impact on employment probability, but no considerable impact on wages. Of the five types of ALMPs examined for this paper, it was found that Employment Services (such as job search assistance) and Skills Training programs are not only the most popular interventions but also the most promising in terms of efficacy.

A number of studies point to the importance of implementing ALMPs based on specific policy objectives, financing available, and the overall economic environment. Governments, donor agencies, and implementing partners should remain realistic about what ALMPs can achieve and, as such, allocate resources on the basis of cost-effectiveness. Studies in the region have shown that incorporating ALMPs with passive programs (i.e., unemployment insurance) is an effective approach.

Section I of this paper provides an overview of ALMP results based on twenty quantitative studies conducted in eleven CEE countries, as well as four cross-country reports. The majority of studies were prepared by academic entities, with the balance from donor organizations. A *Snapshot of Country Study Results* (page 2) presents a color-coded synopsis of the region's ALMP interventions and their overall impacts on unemployment and earnings. [Note: a series of expanded individual country pages conveying basic conclusions from the studies is located in Annex 2.]

Section II consists of a literature review based on available quantitative studies, with a focus on ALMPs implemented in CEE and CIS countries. The first part of this section is introductory in nature and focuses on general points regarding ALMP interventions; the second part presents findings on the efficacy of each intervention in CEE and CIS regions.

Section III presents a targeted review on using ALMPs in order to address three basic types of unemployment: cyclical, structural, and frictional.

Section IV discusses general conclusions, which are framed around the need for further empirical research on the effectiveness of ALMPs, in particular in the CEE and CIS regions.

Annex I is an overview of the research methodologies used in the literature to evaluate the effectiveness of ALMP interventions. Most of the studies used for this review are based on micro-level data. Annex 2 contains a series of individual country pages that provides greater details of each quantitative study used here. It complements a Snapshot of Country Study Results table, located on page 2.

## In Appreciation

The author would like to thank Denise Lamaute, Social Science Analyst (E&E/DGST) and Glenn Rogers, Director (E&E/DGST) for their leadership and intellectual guidance in the development of this paper. Special thanks also to the following reviewers who provided technical guidance and valuable feedback: Christina Blumel (M/CIO/KM), Deanna Gordon (E&E/DGST), Andrew Levin (E&E/DGST), Sarah Lane (M/CIO/KM), Zaks Lubin (LAC/RSD/BBEG), Ron Sprout (E&E/PO), and Volodymyr Yatsenko (USAID/Armenia).

For more information on the USAID/Europe and Eurasia Bureau's Office of Democracy, Governance and Social Transition (E&E/DGST), or to learn about the Agency's experience with ALMPs in the E&E region, please go to:

[http://www.usaid.gov/locations/europe\\_eurasia/dem\\_gov/index.html](http://www.usaid.gov/locations/europe_eurasia/dem_gov/index.html) or contact Denise Lamaute at 202-712-4976 or [dlamaute@usaid.gov](mailto:dlamaute@usaid.gov).

# Table of Contents

I. Visual Overview of ALMP Country Study Results.....	1
Snapshot of Country Study Results.....	2
II. ALMP Literature Review .....	3
Introduction.....	3
Categories of ALMP Interventions.....	4
Investing in ALMPs.....	4
Gaps in the Literature .....	6
Applicability of ALMPs to Transition Countries.....	6
Targeting Interventions.....	7
Cost-Effectiveness.....	7
Balancing Active and Passive Programs.....	8
Review of the Effectiveness of ALMPs in CEE/CIS.....	9
Self-Employment/Small Business Assistance (SBA).....	10
Employment Services (ES).....	11
Skills Training (ST).....	12
Wage and Employment Subsidies (WES).....	13
Public Employment (PE) .....	13
III. Technical Brief: Targeting ALMPs to Address Unemployment.....	15
Types of Unemployment.....	15
Targeting ALMPs to Address Unemployment.....	15
IV. General Conclusions .....	16
Annex 1. Research Methodologies .....	17
Selection of Studies.....	17
Methodology Types and Data Availability.....	17
Annex 2. Country ALMP Impact Results.....	19
Bosnia-Herzegovina .....	19
Bulgaria.....	20
Estonia.....	21
Hungary .....	22
Kosovo.....	23
Poland.....	24
Romania .....	25
Russia.....	26
Slovakia .....	27
Slovenia.....	28
Ukraine .....	29
Cross-Country Studies (Including Transition Countries).....	30
V. References .....	32

## Figures and Tables:

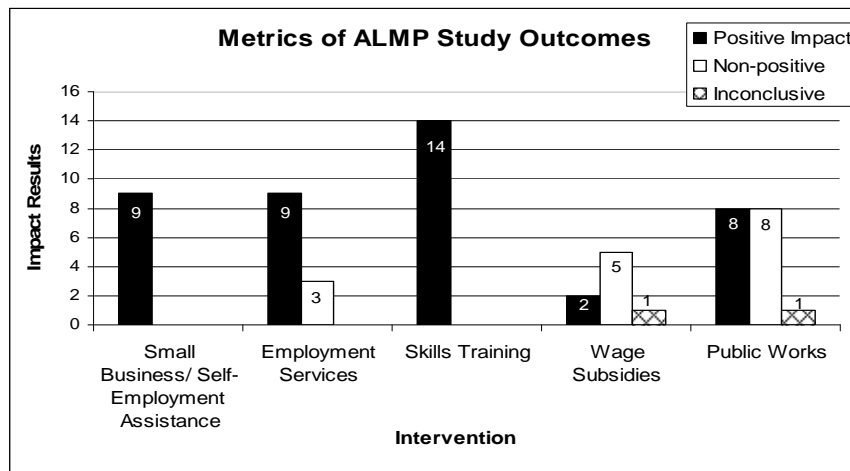
Metrics of ALMP Study Outcomes .....	1
Snapshot of Country Study Results.....	2
Figure 1: Comparing ALMP Spending of EU15 vs. New EU Member States - Top 3 .....	5
Figure 2: Comparing ALMP Spending of EU15 vs. New EU Member States - Bottom 3 .....	5
Figure 3: ALMP Interventions in Transition Countries: Impacts on Employment Probability .....	9
Figure 4: ALMP Interventions in Transition Countries: Impacts on Earnings .....	10

## I. Visual Overview of ALMP Country Study Results

This section provides a summary of ALMP results based on twenty quantitative studies conducted in eleven CEE/CIS countries, as well as four cross-national reports. The *Snapshot of Country Study Results* on the next page is a visual synopsis of studies on the region’s ALMP interventions and overall impacts on unemployment rates and earnings of targeted groups.<sup>2</sup> The following color-coded key corresponds to the *Snapshot* table on the next page:<sup>3</sup>

- Positive Impact (Statistically Significant)
- Non-positive Impact (Statistically Insignificant)
- ▨ Inconclusive

Based on analysis of the studies, metrics below shows that ALMP interventions with the largest quantity of evaluations performed are Public Works (17 studies) and Skills Training (14). This may reflect their use as primary mechanisms to combat both the structural and cyclical unemployment that continues to plague the CEE region. All studies with Skills Training as a component report positive statistically significant impacts.<sup>4</sup> In addition to Training, the studies indicate two additional ALMP measures that have been consistently effective: Employment Services and Self-employment/Small Business Assistance. Alternatively, Wage Subsidies are reported to have had routinely non-positive impacts, with five of eight studies finding them to be ineffective. Further, nearly half of the Public Works programs report non-positive effects. It is important to note that, given the short-term nature of both Public Works and Wage Subsidy programs, these unenthusiastic findings may be somewhat misleading as a number of the studies focus on longer-term results.



<sup>2</sup> Individual country pages containing greater details of each study are available in Annex 2. Click on country names in the Snapshot of Country Study Results table (below) for hyperlinks to these pages.

<sup>3</sup> In describing the effectiveness of each ALMP intervention, a system is used to differentiate between positive, non-positive, and inconclusive impacts. The category “Positive Impact” reflects statistically significant effects on employment outcomes and/or wage, as a result of the ALMP; “Non-positive” denotes a statistically insignificant impact on employment outcomes and/or wage; and “Inconclusive” means the net impact varied by country or was uncertain. In the multi-country studies, for instance, a review of wage subsidies did not find a clear trend across countries; similarly, another study found public works programs to have various outcomes.

<sup>4</sup> In some cases, such as Ukraine’s training program, positive impact declined after 90 days, but nevertheless remained positive.

## Snapshot of Country Study Results

(For details on studies, go to Annex 2 beginning on page 19, or click on individual country name)

Country	Small Business/ Self-Employment Assistance	Employment Services	Skills Training	Wage Subsidies	Public Works
<a href="#">Bosnia-Herzegovina</a> (1 study)		■	■		
<a href="#">Bulgaria</a> (2 studies)	■	■ □	■	■	■
<a href="#">Estonia</a> (1 study)	■		■		
<a href="#">Hungary</a> (2 studies)	■	■ □	■	□	□
<a href="#">Kosovo</a> (1 study)			■		
<a href="#">Poland</a> (1 study)			■	□	□
<a href="#">Romania</a> (3 studies)	■ ■	■	■ ■	■	■ □ ■
<a href="#">Russia</a> (3 studies)		■ □ ■			□ ■
<a href="#">Slovakia</a> (2 studies)	■	■	■ ■	□ □	■ ■
<a href="#">Slovenia</a> (2 studies)					■ □
<a href="#">Ukraine</a> (2 studies)			■ ■		□ ■
<a href="#">Cross Country</a> (4 studies)	■ ■ ■	■ ■	■ ■	□ —	□ □ —
<b>Totals</b> (24 studies)	■ 9 □ 0	■ 9 □ 3	■ 14 □ 0	■ 2 □ 5 — 1	■ 8 □ 8 — 1

**Note:** each row of symbols represents one quantitative study, thus countries with more than one row have multiple studies. One study may have both positive and non-positive impacts for different interventions. Please note that two studies show inconclusive impacts – see footnote 3 on previous page.

- Positive Impact (statistically significant)
- Non-positive Impact (statistically insignificant)
- Inconclusive

## II. ALMP Literature Review

### *Introduction*

Privatization and economic restructuring throughout the CEE and CIS regions led to significant transformation in the countries' labor markets. Complex challenges evolved from the struggle to adapt economies that were founded on full employment to those that adopted a market-based approach. One of the main problems throughout has been lack of jobs in the formal sector, and unemployment remains a persistent problem. The rationale for implementing ALMPs in the context of these transitioning labor markets has been to help combat high unemployment rates and to improve the ability of unemployed individuals to return to work.

The universal goal of ALMPs is to enhance a country's labor supply, increase labor demand, and improve the functioning of its labor market in the long-term.<sup>5</sup> ALMPs counter market imperfections by focusing on human capacity development that leads to more positive and enduring employment outcomes. While ALMPs may significantly mitigate unemployment, the literature concludes that they alone cannot solve it. As such, most countries use a combination of active and passive programs,<sup>6</sup> establishing the two as complementary rather than substitutes.

In general, the studies reviewed for this paper make a strong case in favor of adapting ALMPs as a positive and cost-effective labor market intervention in the CEE and CIS regions. While ALMPs have a positive and statistically significant impact on employment prospects in CEE and CIS countries, however, caution is warranted. One study of four ALMPs in Russia rates their overall effectiveness as mixed (Akhmedov, et al., 2003:9).<sup>7</sup> As well, results indicate that even though post-ALMP participants have a higher probability of gaining employment after the intervention, but the programs appear to have no significant impact on wages and do not necessarily increase aggregate employment. One cross-country study by Dar and Tzannatos (1999:15), for instance, reports that "retraining programs may simply result in displacement of previously employed workers by the retrainees, so that aggregate unemployment rates remain unaffected by the intervention."<sup>8</sup> Similarly, Fretwell, et al. (1999:10) caution that ALMP participants may "gain reemployment at the expense of other qualified workers who might have taken the job anyway, so there is no net gain in employment by using [ALMPs]." The same study, however, acknowledges that human capital development as a result of ALMPs would have a "positive long-term impact even if there are short-term displacement effects."

---

<sup>5</sup> Objectives can and often do differ among the various countries in which ALMPs are implemented.

<sup>6</sup> Passive labor market programs offer income support to vulnerable populations, typically through financial transfers. Examples include unemployment insurance, worker disability insurance, and the like. Cahuc and Zylberberg (2004:637) state that ALMPs "are to be distinguished from passive policies, which aim to increase the well-being [of the unemployed and disadvantaged] ... without automatically pursuing a particular outcome in terms of placement in the labor market."

<sup>7</sup> In one region, for instance, it is reported that participation significantly prolonged unemployment. In another region, some of the programs accelerated job acquisition.

<sup>8</sup> Aggregate employment (a.k.a. net employment flow) is the difference between employment inflows and outflows over a specified period of time. Due to this and the redistributive nature of ALMPs, an increase in participants' employment probability does not necessary yield an increase in aggregate employment.



Analyzing the long-term fiscal return of ALMPs on individuals and society remains a significant issue. Additional data collection and rigorous evaluations of the efficacy of ALMPs within the transition context are necessary in order to fully understand their economic and social impacts and how they might differ from those experienced in developed nations.

### **Categories of ALMP Interventions:**

Studies typically classify activities into the following five basic types:<sup>9</sup>

- Self-Employment/Small Business Assistance: SBA supports the creation and advancement of self-employment activities or micro-enterprises by providing counseling services, including how to write/utilize a business plan, short-term entrepreneurial training, and (often) financial assistance;
- Employment Services: includes job counseling, placement services, relocation assistance, etc.;
- Skills Training: including on-the-job and/or classroom methods, this is a traditional means of solving skill mismatch in the labor market;
- Wage and Employment Subsidies: provided to firms in the private or public sector upon hiring an unemployed person; subsidies typically are larger the longer this person is employed with the firm; and
- Public Employment: jobs created by government (usually municipalities), often targeted at long-term unemployed. Most are in construction and maintenance (public buildings, parks, etc.) and require low-level skills.

### **Investing in ALMPs**

Despite the fact that CEE and CIS countries have invested respectable sums into ALMP interventions over the past decade, they continue to fall short in terms of spending when compared to western counterparts.<sup>10</sup> While CEE and CIS countries focus more of their total labor market funds on ALMPs versus passive programs, the variations in funding are clear.

Figures 1 and 2 below are adapted from a study conducted by Lehmann and Kluve (2008), which finds that all European Union 15 countries<sup>11</sup> spend more on ALMPs as a percentage of GDP than their CEE/CIS counterparts. This study reports that EU15 countries spend an average of slightly more than 1% of GDP on ALMPs, compared to .25% in new EU member states.<sup>12</sup> The figures below show the EU15's top three ALMP spenders – Sweden, which allocates approximately 2%, the Netherlands 1.5%, and Germany 1.35%; versus CEE and CIS top spenders – Hungary with roughly .45%, Bulgaria .395%, and Poland .28%. Estonia,

---

<sup>9</sup> An analysis of the effectiveness of these categories of ALMPs begins on page 9.

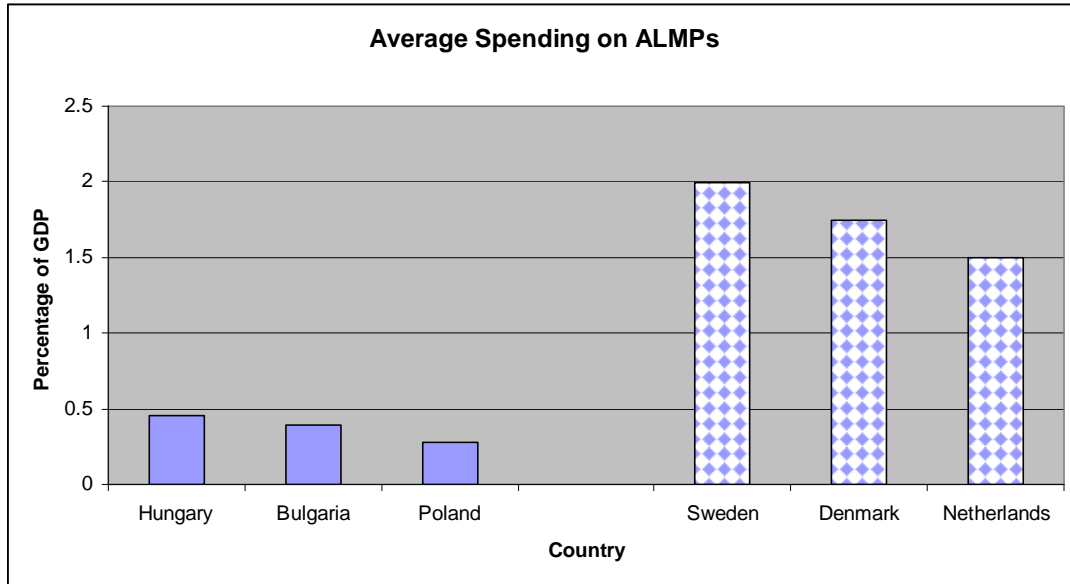
<sup>10</sup> The European Employment Strategy (EES) was launched in 1997 as a social policy that “support[s] the shift from an income (benefit) focus to a work focus.” For more information on EES, go to: [http://ec.europa.eu/employment\\_social/employment\\_strategy/index\\_en.htm](http://ec.europa.eu/employment_social/employment_strategy/index_en.htm)

<sup>11</sup> Luxembourg, Greece, Austria, United Kingdom, Portugal, Spain, Ireland, France, Italy, Belgium, Germany, Finland, Netherlands, Denmark, and Sweden.

<sup>12</sup> Estonia, Romania, Latvia, Czech Republic, Lithuania, Slovak Republic, Poland, Bulgaria, and Hungary.

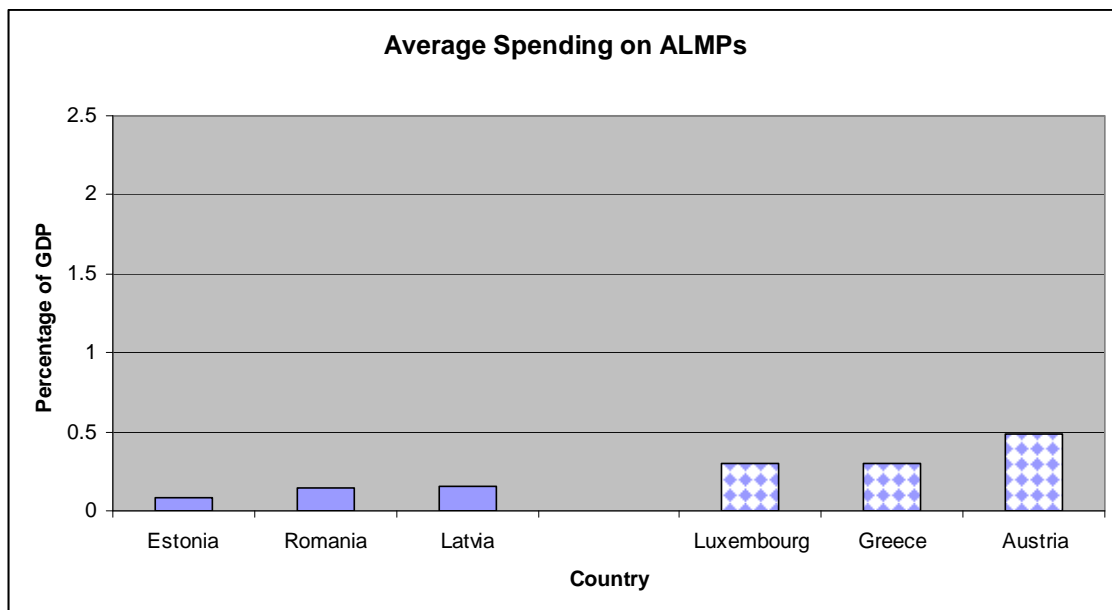
Latvia, and Romania are the CEE/CIS bottom three ALMP spenders, each allocating less than .2% of GDP, versus the EU15's bottom three – Austria with .49%, Greece .3%, and Luxembourg .3%.

**Figure 1: Comparing ALMP Spending of EU15 vs. New EU Member States Top 3**



Source: Adapted from Lehmann and Kluve (2008)

**Figure 2: Comparing ALMP Spending of EU15 vs. New EU Member States Bottom 3**



Source: Adapted from Lehmann and Kluve (2008)

## ***Gaps in the Literature***

Initial due diligence of accessible literature on ALMPs in CEE/CIS reveals a lack of studies on programs that target marginal groups, in particular youth<sup>13</sup> and the disabled, who experience difficulty in finding jobs from the beginning of their working life. While it is important to note that such programs do exist, more evidence needs to be collected in order to econometrically measure their impact and effectiveness. A preliminary USAID/EE/DGST study<sup>14</sup> released in October 2009 centers on workforce development issues for the disabled.

*It is important to differentiate between targeting ALMPs to individuals in marginal groups and targeting them to marginalized workers,*<sup>15</sup> the latter of which typically have higher skills sets and are unemployed due to structural changes in the economy. This is in contrast to individuals in marginal groups (such as youth, the elderly, disabled, etc.), who generally possess lower skill sets and may not be fully integrated into society or are excluded from various aspects of society, which often precludes them from finding employment. Lehmann and Kluve (2008:6), for instance, report that “even if the human capital of marginal persons is increased [as a result of ALMPs], this increase might not be sufficient to enable the[m] to compete with ... potentially very productive workers who also find themselves in the unemployment pool in transition countries, something that would not occur to the same degree in mature OECD [Organisation for Economic Co-operation and Development] countries.” The theory they posit is that spending large amounts of funding on people who are in marginal groups in transition countries might not be economical, “since their employment or reemployment probability might not be affected by participation in a[n ALMP] scheme.”

## ***Applicability of ALMPs to Transition Countries***

An important question raised in the literature is: *how applicable are ALMPs to CEE and CIS economies?* While the function of ALMPs varies at different stages of a country’s development cycle, Betcherman, et al. (2003:44) maintains that research findings from industrialized nations do apply to transition countries. The authors also note that a country’s income level may determine the type(s) of intervention used. For instance, low-income countries tend to implement public works programs more heavily (2003:36). Nevertheless, the relatively small sample of studies available suggests that a gap in the literature does exist.

Lehmann and Kluve (2008:6) provide a brief discussion on the use of ALMPs in transition versus developed countries, focusing on macroeconomic rationale. In the U.S. three

---

<sup>13</sup> In the former Soviet Union, for instance, youth unemployment is believed to be nearly two times higher than the general unemployment rate (Simai, 2006:10).

<sup>14</sup> USAID Europe and Eurasia Bureau’s Office of Democracy, Governance, and Social Transition (EE/DGST) recently released a report entitled *Transitions Towards an Inclusive Future: Community-Based Vocational Skills Development and Employment Options for Persons with Disabilities in Europe & Eurasia*.

<sup>15</sup> Marginal groups include those individuals who have had difficulty obtaining employment their entire working life, due primarily to lower skill sets. Marginalized workers are those who find themselves unemployed due primarily to obstructions in the labor market, such as structural changes in the economy.

decades ago, they report, ALMPs were developed to help lower unemployment with an emphasis on (re-)integrating marginal and/or marginalized groups into the labor market. This strategy is similar to that used by CEE and CIS countries today; however, Lehmann and Kluve focus on a key distinction. That is, the relatively recent transition to market economies has yielded notable unemployment of the latter regions' *core workforce populations*, not just workers on the margin. Therefore, given the general characteristic of these countries' marginalized unemployed, who have had a tradition of solid attachment to the labor market and quality skill sets, when ALMPs are implemented it is *marginal* groups that face greater competition for jobs than is the case for their OECD counterparts. This makes the issue of targeting ALMPs, which is discussed in greater detail below, even more important.

### **Targeting Interventions**

Effective targeting of ALMPs is crucial to maximizing the social dividend from expenditures (O'Leary, 2001:101; Mukkavilli, 2007:15; etc.). In addition to directing ALMPs at identifiable groups, i.e., youth, long-term unemployed, displaced workers, welfare recipients, marginalized groups, etc., industries, firms, and regions, it is perhaps even more important to apply them according to the type(s) of unemployment that exist in a country. Given that a number of CEE and CIS countries have major fiscal problems and thus limited financial resources, in particular as a result of the current global economic downturn, it is all the more important that ALMPs be well targeted and efficiently managed. Rutkowski, et al., for instance, suggest paying special attention to the design of and targeting mechanisms for ALMPs, as well as monitoring and impact evaluation.

Based on the economic restructuring that has occurred in CEE and CIS countries, it is estimated that much of the unemployment that has existed in the region since the early 1990s has been structural<sup>16</sup> in nature (Wilson and Fretwell, 1999:3). An analysis of the literature suggests that, given this type of unemployment, skills training and small business assistance programs are effective interventions. In Estonia, for instance, emphasis has been placed on these two ALMPs in order to address its structural unemployment problems (Kerem and Randveer, 2008:92). For a broader discussion on the use of ALMPs in addressing different types of unemployment, refer to Section III, beginning on page 15.

### **Cost-Effectiveness<sup>17</sup>**

In CEE and CIS countries, the cost-effectiveness of ALMPs has not been adequately addressed in the literature. In developed countries, however, they have been found to be cost-effective. A recent International Monetary Fund study established a positive correlation between spending on ALMPs as a percentage of GDP and the business sector employment rate of developed countries. Using panel data from a 1993-2000 sub-sample for 15 industrialized nations, the IMF concludes that a "one percentage point increase in

---

<sup>16</sup> Structural unemployment has been a long-term and chronic problem in CEE and CIS countries. It occurs when there is demographic change, large-scale industrial layoffs, and/or a mismatch between skills and available jobs (i.e., due to technological advances). For a more detailed description of the types of unemployment, and how to target ALMPs to address them, see Section III of this paper.

<sup>17</sup> Cost-effectiveness is a measure of whether aggregate benefits from implementing an ALMP intervention are greater than the aggregate resources spent on the policy.

ALMP spending (as a share of GDP) is associated with an increase in the business employment rate<sup>18</sup> of 1.9 percentage points” (Estevão, 2003:12).

One cost-benefit analysis by Rodriguez-Planas and Benus (2007), however, found that three out of four ALMPs implemented in Romania (Employment Services, Self-Employment Assistance, and Training) were useful and cost-effective, whereas Public Employment had a non-positive impact on participants’ employment probability. This study was prepared for the Ministry of Labor and Social Protection and the National Agency for Employment and Vocational Training and observed the following outcomes during 2000-2001:<sup>19</sup>

- Employment Services, i.e., Employment and Relocation, which cost 123.74 thousand lei per client, reduced the number of months participants were unemployed and receiving unemployment benefits. ES also increased average current monthly earnings by 57 thousand lei (or 22%) and average monthly earnings by 87 thousand lei (or 28%) compared to earnings of non-participants.
- Training (541.07 thousand lei per client), increased earnings of participants by 165 thousand lei (relative to non-participants). In addition, of 72 training participants, 65.62% were still employed after 12 months.
- Self-Employment Assistance (179.15 thousand lei per client) increased by 8.38 percentage points (or 12%) the likelihood of being employed for 6 months during the two-year period 2000-2001.
- Public Employment (2,915.77 thousand lei per client) had a negligible impact on employment length and on unemployment length. Not only was it the most costly, but it resulted in only 31.74% of participants being employed during 2000-2001.

A 1998 study gathered per-client costs of ALMPs in Czech Republic, Hungary, and Poland and found that Employment Services and Training were the most economical programs, in terms of expenditures, compared to the two most expensive – Public Employment and Self-Employment Assistance (Fretwell, 2004:23). Outcome data is unavailable.

### ***Balancing Active and Passive Programs***

Integration of passive and active programs is gaining traction in a number of industrialized nations, including Austria, Germany, Japan, Norway, and Spain (Betcherman, et al., 1999:4). One CEE/CIS cross-country study reports that “social safety net programs are likely to be most effective when they are accompanied by active employment policies,” citing examples from Czech Republic, Hungary and Poland (Kaufman, 2007:113). Another makes the case for “a higher level of adaptability[,] with employment protection being eased and labor market policies being activated through a combination of ‘carrots and sticks’” (Eichhorst and Konle-Seidl, 2005:3).

Balancing passive and active programs, however, has been a challenge in many CEE and CIS countries (Rutkowski, et al., 2005:221). In addition to fiscal problems that often

---

<sup>18</sup> Business employment rate is a labor utilization measure defined as the share of business sector employment in the working-age population. According to Estevão, it “exclude[s] cyclical increases in public sector employment, which do not represent an improvement in labor market functioning through real labor productivity increases or cost reductions.”

<sup>19</sup> See Rodriguez-Planas and Benus (2007:33) for a table describing the outcomes for ALMP participants.

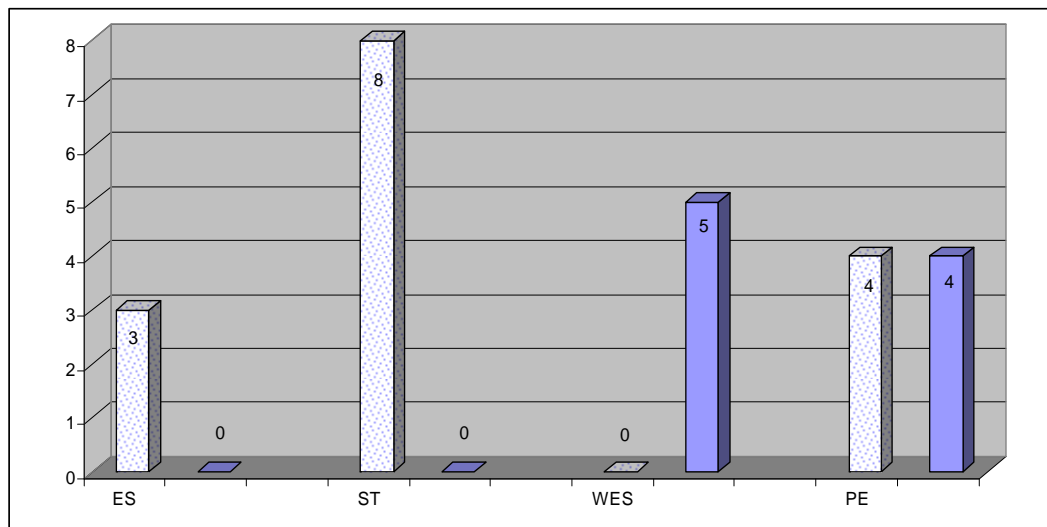
preclude substantial funding for labor market policy interventions, Lehmann and Kluge (2008:5) report that “since income support for the unemployed has priority in the eyes of policy makers and the public, active labor market policies are treated like a residual category.”

### **Review of the Effectiveness of ALMPs in CEE/CIS**

The following section focuses on the five types of ALMP interventions, and presents findings on the employment, earnings, duration of employment and probability of re-employment, and (where available) cost effectiveness relative to other interventions.

Betcherman has done much to evaluate ALMP interventions. The two figures below indicate the positive versus non-positive effects of four types of ALMPs in transition countries.<sup>20</sup> For each program, impacts on both employment probability and earnings are reported. Figure 3 shows that Employment Services and Skills Training have had the most positive impact on employment probability (3 and 8 positive impact evaluations, respectively). Results from Public Employment programs are mixed (4 positive vs. 4 non-positive impact evaluations), and Wage and Employment Subsidies overwhelmingly negative (0 positive vs. 5 non-positive impact evaluations).<sup>21</sup> Betcherman notes that a knowledge gap exists for Self-Employment/Small Business Assistance programs, and as such there is not enough evidence to report on their impacts.

**Figure 3: ALMP Interventions in Transition Countries: Impacts on Employment Probability**

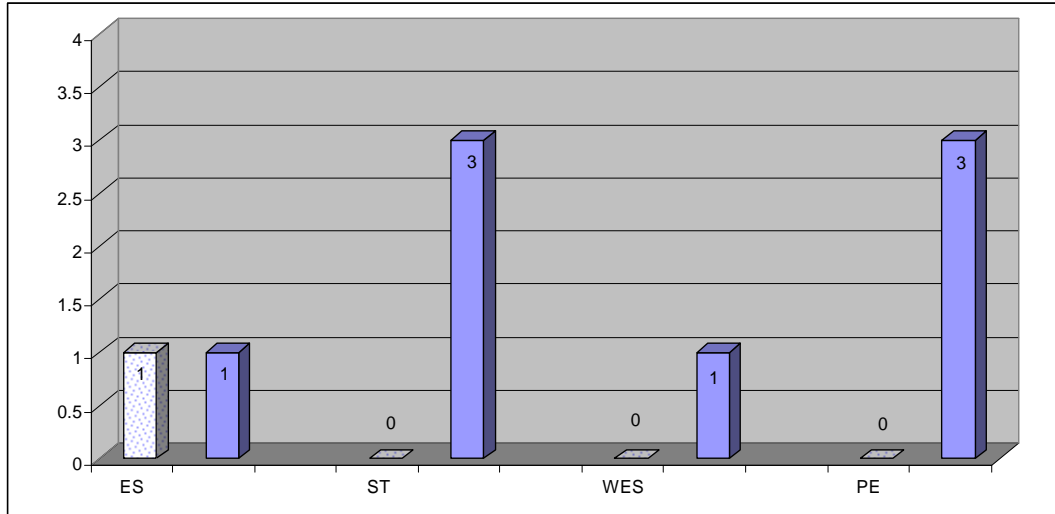


Source: Adapted from Betcherman (2008)

<sup>20</sup> Betcherman’s study is based on 152 impact evaluations that cover developed, transition, and developing countries. The figures created here only show impact results from transition countries.

<sup>21</sup> Despite the fact that wage and employment subsidy programs are reported to have had negative effects on long-term employment in transition countries, Betcherman notes they can be effective as a short-term safety net.

**Figure 4: ALMP Interventions in Transition Countries: Impacts on Earnings**



Source: Adapted from Betcherman (2008)

In terms of impact on earnings, Betcherman reports Employment Services as having both positive and non-positive results (1 vs. 1), whereas all other interventions have non-positive impacts.

### **Self-Employment/Small Business Assistance (SBA)**

Of the twenty quantitative studies reviewed here, nine evaluate the effectiveness of SBA programs in transition countries. Most of these do not focus on participants' long-term future employment and earnings. Nevertheless, available outcomes do indicate that SBA programs may help increase the probability of re-employment in CEE/CIS countries.

Studies conducted in Bulgaria (Walsh, et al., 2001),<sup>22</sup> Estonia (Leetmaa and Võrk, 2003:136), Hungary and Poland (O'Leary, 1998:10), Romania (Rodriguez-Planas and Benus, 2007:16), and Slovakia (Lubyova, 1998) indicated that SBA programs are effective in getting unemployed participants back to work. Data on earnings, however, vary.<sup>23</sup> For instance, while the Romanian study found no impact on earnings, research in Hungary shows a non-positive impact, while the Polish study found a positive one. Another Romanian study (Rodriguez-Planas and Benus, 2008:18) did not find that SBA participation increased average monthly earnings, but it did increase the likelihood by 11.89% that participants would be employed for at least six months during a two-year period (2000-01). SBA participation also reduced the accumulated number of months individuals were unemployed and receiving unemployment insurance by 14.94% and 34.25%, respectively.

Results from the literature are mixed in determining how best to target SBA programs to specific groups of participants. One study suggests that SBA programs work best for unemployed workers who have existing entrepreneurial skills and the motivation to survive in a competitive environment (Wilson and Adams, 1994:18). Alternatively, recent research

<sup>22</sup> As sourced in Kolev, 2003:6.

<sup>23</sup> This could be explained by the fact that entrepreneurs are more likely to under-report earnings than wage and salary workers.

conducted in Romania indicates a different finding. Rodriguez-Planas (2008:20) report that SBA programs are most successful for Romanian participants who have less access to the primary labor market, i.e., “high-productivity wage and salary jobs,” such as individuals with lower qualifications or those residing in rural areas.

### **Employment Services (ES)**

The majority of studies indicate that employment service (ES) program outcomes in CEE and CIS countries, by and large, are positive, and at the same time costs have remained low when compared to other ALMP interventions. In environments where labor demand is weak, job search assistance and other ES interventions are unlikely to have much impact unless they are combined with other categories of interventions (Betcherman, et al., 2004:24), such as Skills Training.

Based on a review of the literature, one feature of ES, job search assistance, appears to be on an upward trend in both transition and industrialized countries. Dar and Tzannatos (1999:15) found that ES improves the match between workers and jobs, and it is usually cost-effective relative to other ALMPs. In nations with large informal job sectors, however, it has been documented that workers may prefer other means of job search (Woltermann, 2003:5).

A study conducted in Romania (2000-2001) used propensity score matching methods<sup>24</sup> to evaluate the impact of selected ALMPs; specifically, to measure the likelihood of workers’ reemployment and to measure earnings at new jobs (Rodriguez-Planas and Benus, 2007:15). Nearly 4,000 individuals registered unemployed were polled. Results from this survey indicate that both types of ALMPs implemented, ES and SBA, were successful in reducing unemployment, though not necessarily in increasing earnings.

Rodriguez-Planas and Benus (2007) conclude that ES was more successful in getting people back to work than SBA, the latter comprising technical and financial assistance. This study also identified specific populations in Romania that were more likely to benefit from each type of ALMP initiated. For instance, ES was found to be superior to SBA, in particular with youth, individuals without access to informal networking,<sup>25</sup> and those lacking a high school diploma. Overall, ES improved the likelihood that participants would remain employed for at least 6 and 12 months during the study’s two-year period (2000-2001).

Rodriguez-Planas and Benus (2007) also find that ES has a positive impact on earnings – average monthly income during the Romanian study increased by 29.44%, compared to non-participants. Alternatively, more educated urban participants appear to gain more from SBA. It was noted, however, that rural participants also benefited from SBA because it

---

<sup>24</sup> Propensity score matching (PSM) is a relatively new and rigorous strategy that uses predicted probability to correct for selection bias when making estimates. A number of the studies reviewed here employ this method as a way to develop causal inference. DiPrete and Gangl (2004:3) state that PSM “improves on the ability of regression [analysis] to generate accurate causal estimates by virtue of its nonparametric approach to the balancing of covariates between the “treatment” and the “control” group, which removes bias due to observable variables.”

<sup>25</sup> An informal sector channel occurs when ALMP participants receive job offers or information about prospective jobs through referrals by an employed worker, family members or friends.



“widens the scope of opportunities ... in these often depressed areas,” but there is no mention of the duration of positive outcomes. Upon conducting a cost-benefit analysis for both ES and SBA interventions, the authors found that the costs per participant (123.74 thousand lei for ES and 179.15 thousand lei for SBA) were smaller than the benefits accrued, namely estimated earnings.

### **Skills Training (ST)**

According to Simai (2006:20), economic transformation in CEE and CIS countries triggered a general de-skilling<sup>26</sup> of the workforce, which precipitated the need for ST programs. While research in both developed and developing countries has found that the impact of ST on unemployed workers is generally mixed, in CEE/CIS several studies show that it has had a solidly positive impact on the future employment of participants (Betcherman, et al. 2004:26; Leetmaa and Vörk 2003:119; Kupets 2000:57; Kluve, et al. 1999:5; etc.). This positive impact, however, is to a lesser degree than shorter-term employment services (Fretwell, et al., 1999:15) and private sector incentives, such as wage/employment subsidies and SBA. It is important to note that one study found that ST is more likely to have longer-term positive impacts on employment outcomes than public employment programs (Kluve, 2007:3).

As with most ST programs, a cross-national study by Betcherman et al. (2004:25) found that on-the-job training and employer involvement/sponsorship generate more constructive results that have a greater impact on employment rates, compared with programs that do not foster a relationship with the private sector. A common problem with ST is that it lacks private sector input or participation so that skills imparted are in demand. Thus, many ST programs leave participants without job search skills. It is also important to distinguish between ST programs that help participants find “sustained” jobs versus simply finding “a job,” the latter leading to misleading conclusions about an ALMP’s effectiveness (Calderón-Madrid, 2006:4)

ST geared toward youth in CEE has received a great deal of attention given the prominence of unemployment among this group, but it remains an understudied area. A recent study of a youth ST program in Kosovo concludes it had an important impact on potential employment; 46% of participants were employed after the training versus only 20% of non-participants (Mukkavilli, 2007:77).

Another cross-country study<sup>27</sup> found that ST has positive impacts on both males and females, but is particularly useful for unemployed females, as well as youth and middle aged individuals (Fretwell et al. 1999:16). Analysis of a ST program in Estonia concluded that it is more helpful for people with no previous work experience, little education, and individuals living in rural areas (Leetmaa and Vörk, 2003:131). Two-thirds of participants in the Estonian program found ST to be useful; however, the same study established that, while training was “the most important [measure,] both in terms of expenditures and in

---

<sup>26</sup> De-skilling is a consequence of the inefficient use of labor during pre-transition commitments to ‘full employment,’ whereby many workers’ skill sets became obsolete. In addition, *unskilled* rural agricultural workers were disproportionately impacted by the privatization of collective farms. Both of these outcomes warranted a focus on skills training programs.

<sup>27</sup> Czech Republic, Poland, Hungary, and Turkey.

terms of participants,” it only accounted for 68% of participants finding a job, as compared to participants who received SBA grants (92% employed) and those whose new employers obtained wage subsidies<sup>28</sup> (90% employed). Despite this, the study still concludes that ST is cost-effective, based on price per person versus employment probabilities and monthly net wages.

### **Wage and Employment Subsidies (WES)**

The overall goal of WES is to increase employment by reducing the cost of labor. A number of researchers agree that subsidies are *unlikely* to have longer-term impacts on employment, given their short-term focus, as well as carrying substantial deadweight loss<sup>29</sup> and substitution risks<sup>30</sup> associated with them (Dar and Tzannatos 1999:28; O’Leary 1998:10; and Martin 2000:20). Another negative impact of WES is the wage inefficiency gap, whereby wages are pushed up, resulting in a reduction in the demand for labor (Cahuc and Zylberberg, 2004:660). An additional limitation is that, in terms of cultivating firm-specific skills versus those essential to the aggregate labor market, WES does not necessarily address mismatching issues. Betcherman, et al. (2004:40) highlight evaluations from programs in transition countries as having “[led] to uniformly negative assessments,” though they also suggest that such WES may be more effective when combined with other ALMPs, such as ST.

For instance, in a country with structural unemployment, subsidy programs alone are unlikely to achieve the essential objective of closing the skills gap without also integrating complementary interventions, such as ST and/or ES.

Most WES programs evaluated show that participants in CEE/CIS countries are less likely to be employed and earned less than those in the control group after subsidies were terminated.

Evidence gleaned from a regional study of WES programs by Rutkowski, et al. (2005:231) was mixed. They find that in several CEE countries, particularly those with high unemployment, WES proved “effective in helping the disadvantaged unemployed, with a net post-program impact ranging from 10 to 15 percent,” contrasted with other CEE-based evaluations that illustrate non-positive employment effects. van Ours (2002:21) warns, however, that subsidized jobs will only reduce unemployment durations if the subsidy does not last long.

### **Public Employment (PE)<sup>31</sup>**

Across the board, studies indicate that PE programs in CEE and CIS countries have had consistently non-positive impacts, in the long-term, on both earnings and employment

---

<sup>28</sup> Wage and employment subsidies are designed to subsidize an employer’s cost of hiring.

<sup>29</sup> Deadweight loss describes a scenario in which program outcomes are no different from what would have happened in the absence of the program. A good example is wage subsidies, which help to place workers in a company that would have hired them even without the subsidy.

<sup>30</sup> Bechterman, et al. (2003:14) define substitution risk this way: “A worker hired in a subsidized job is substituted for an unsubsidized worker who otherwise would have been hired. The net employment effect is thus zero.”

<sup>31</sup> Also known as public works, temporary community projects, labor-intensive projects, and workfare.

outcomes (Kluve, et al. 1999:19; O’Leary 1998:7; Mikhed, 2007:19). This parallels Martin’s findings (1998:21) that PE in OECD countries “have had little success in helping unemployed people obtain permanent jobs in the open labour market.”

Studies have shown, however, that PE initiatives are effective *in particular situations*, such as in those regions hit hard by economic slumps, or when targeted at unemployed individuals who lack the ability of securing scarce private-sector jobs. Thus, PE programs can be a good mechanism for creating short-term employment for jobless workers if they are carefully targeted and if the wage is set below the equilibrium wage for unskilled labor (World Bank, 2008:7). Examples of PE initiatives that had an immediate positive impact on post-program transition into employment are found in individual evaluations conducted in Slovakia (Lubyova, 1998; and Lubyova and Van Ours, 1998), Slovenia (Vodopivec, 1998), Ukraine (Kupets, 2000), and Macedonia (World Bank, 2008), but this only applied if participants found a job shortly after the program ended. Betcherman, et al. (2004:48) also recognize that PE is an effective safety net intervention that can benefit disadvantaged individuals, such as older workers, long-term unemployed, those in distressed regions, etc., with the caveat that it “provide[s] mainly short-term benefits ... and, when well targeted, ... can be useful to fight against poverty by offering temporary employment.”

In addition to transferring income, a complementary goal of PE is to retain job readiness skills of unemployed individuals. By definition, PE programs are considered temporary “make work” initiatives that utilize the lowest skill levels. Rodriguez-Planas (2008:8) asserts that such programs likely have nominal influence on the development of human capital since typically they do not integrate a training component. In an earlier study, the author reports that “PE was found detrimental for the employment prospects of its participants” (Rodriguez-Planas and Benus, 2006:18).

Cahuc and Zylberberg (2004:665) posit that there could be a crowding-out effect (on private sector jobs) as a result of PE programs, whereby an increase in labor demand leads to a wage increase that “could cancel out the impact of the public sector jobs created.” Their theory is that creating public jobs which pay higher wages than those available in the private sector could attract more workers and “crowd out” private sector jobs, which ultimately could lead to increased unemployment.<sup>32</sup> This explanation of this relationship, however, should be interpreted carefully. Bocean (2007:1) also cautions that the “budgetary cost [of PE] is high and [it is] likely to be subject to diminishing returns as employment rates rise.”

---

<sup>32</sup> This is based on empirical evidence collected from OECD countries by Algan, Cahuc and Zylberberg (2001), which finds that the creation of one public job eliminates roughly 1.5 private jobs, as well as slightly decreases participation to the labor market (adding .3 unemployed workers). It is important to note their estimates show that the crowding out effect of PE increases with the degree of substitutability between public and private sector production, as well as with public rents (2001:5). Thus, countries with a high level of substitutability and public rents (i.e., Belgium, Japan, and Spain) experience a greater incidence of crowding out as PE increases.

### III. Technical Brief: Targeting ALMPs to Address Unemployment

This Technical Brief focuses on targeting ALMPs in order to address the various types of unemployment within a country.

#### ***Types of Unemployment***

An important indicator of how an economy is performing is the unemployment rate. Unemployment is not only costly to individual workers, but also to the country's overall economy and social well being. High unemployment rates imply that resources in the economy are being underutilized, and this will constrain growth rates. Economists often distinguish between three types of unemployment:<sup>33</sup>

- **Cyclical:** also called demand deficient, cyclical unemployment varies with a country's business cycle and thus is temporary. Cyclical unemployment is negatively correlated to a country's GDP – if the economy is expanding, cyclical unemployment is low; if the economy is contracting, this type of unemployment rises;
- **Structural:** changes in the structure of an economy is a more long-term and chronic type of unemployment. Structural unemployment does not follow variations in the business cycle. Rather, it is caused by a discrepancy of the skills of the worker and the demand for those skills in the marketplace. Structural unemployment often occurs when there is demographic change, large-scale industrial layoffs, and/or a mismatch between skills and available jobs (i.e., due to technological advances);
- **Frictional:** measures the number of people in between jobs who are looking for work. 'Friction' refers to the time it takes for the demand (employer) and the supply of labor (worker) to match. Economists generally consider a stable degree of frictional unemployment a sign of economic well-being, as it signifies an expanding labor force.

It is essential to take into account the mix of cyclical, structural and frictional determinants of unemployment, as most countries experience more than one type of unemployment simultaneously. A current example can be derived from the global economic crisis, in which reverse migration continues to increase structural and frictional unemployment in a number of countries. At the same time, cyclical unemployment is rising as recession deepens.

#### ***Targeting ALMPs to Address Unemployment***

ALMPs are just one tool to address unemployment, and effectively targeting them is crucial to maximizing the labor market benefits from expenditures on employment programs (O'Leary, 2001:101; Mukkavilli, 2007:15; etc.). In addition to directing ALMPs at identifiable groups, i.e., youth, long-term unemployed, displaced workers, welfare recipients, etc., industries, firms, and regions, a limited number of studies note the importance of applying them according to the type(s) of unemployment that exist in a country.

---

<sup>33</sup> Source: O'Sullivan, Arthur, Steven Sheffrin, and Stephen Perez. 2010. *Macroeconomics: Principles, Applications and Tools*. Pearson Education, Inc. Publishing as Prentice Hall. Chapter 6.  
<http://web.uconn.edu/cunningham/econ1202/ch06.ppt#257,1,Slide 1>

Research conducted by Betcherman, et al. (2000) includes the most extensive discussion on how ALMPs can be targeted according to the types of unemployment that exist. They created a matrix<sup>34</sup> of common problems that ALMPs can address, specific to labor market objectives that may warrant the use of one or more types of ALMP interventions. The following information is based on this matrix:

- Public Employment programs typically are better suited to alleviate moderate short-term cyclical unemployment, and often are targeted at hard-hit regions and industries, disadvantaged groups, and/or the long-term unemployed;
- Both Employment Services (ES) and Skills Training are effective in reducing structural unemployment, but ES by itself may be ineffective (note: the period between completing a training program and finding a job is frictional unemployment. During this period, ES is an effective way to combat unemployment);
- Employment services, such as job placement services, address frictional unemployment; and
- Wage and employment subsidies may help alleviate the lack of demand for labor, which could result from cyclical or structural unemployment. Complementary interventions, however, such as Skills Training and/or Employment Services may also be needed to address ancillary issues.

#### **IV. General Conclusions:**

While a significant amount has been learned over the past decade regarding the impacts of ALMPs, this literature review reveals a need for additional econometric studies on the topic; in particular, with a focus on cost-effectiveness. The studies reviewed here indicate that ALMPs, in general, do improve outflows to employment and lower unemployment rates; however, not all categories of interventions have the same impacts. What works well in one CEE/CIS country may not be as successful in another.

Quantitative studies on ALMPs implemented in CEE and CIS countries are limited and tend to focus on evaluations of skills training (ST) or public employment (PE) programs, two of the most popular interventions in the region. Differences in definitions and programs among the countries studied also make it difficult to construct direct comparisons. Accordingly, more cross-national studies are needed in order to focus on the specific impacts of ALMPs. As well, evaluations with a more substantive and longer-term focus are necessary. In a recent meta-analysis of micro-econometric evaluations of active labor market policies, Card, Kluve and Weber (2009:25) report: “many [ALMP] programs that exhibit insignificant or even negative impacts after only a year have significantly positive impact estimates after 2 or 3 years.”

As a result, governments, donor agencies, and implementing partners should remain realistic about what ALMPs can achieve and, as such, allocate resources on the basis of cost-effectiveness.

---

<sup>34</sup> See Betcherman, et al. (2000:3)

## Annex 1. Research Methodologies

### ***Selection of Studies***

While quantitative studies on ALMPs in developed market economies are abundant, evidence from CEE and CIS countries remains limited but is growing. A list of evaluative studies of ALMPs in the region is in the Snapshot table located on page 2. Most of these studies are observational and based on micro-level data.<sup>35</sup> The Snapshot table shows where multiple studies have been conducted and offers additional insight on the same types of intervention. In addition to providing a time reference, it also shows the breadth of existing research.

### ***Methodology Types and Data Availability***

No single tool is ideal in measuring labor market functionality, but six types of data analysis have been identified in the literature as valuable in order to better understand labor market performance and to make policy conclusions: 1) aggregate cross-sectional quantitative data; 2) micro-data from comparable cross sections; 3) panel data; 4) cross country time series data; 5) experimental data; and 6) qualitative data (Fields, 2007:34).

The majority of ALMP research studies reviewed for this paper measure post-program labor market status and earnings as indicators of effectiveness. In some cases, societal impacts also were measured, including an assessment of “dead-weight” costs,<sup>36</sup> displacement, and substitution effects, along with some accounting for possible externalities. Most of these studies focus on short-run outcomes, however, covering perhaps only 1-2 years beyond an individual’s participation in an ALMP. While this type of information can be valuable, the method itself is insufficient because it does not measure long-term effectiveness (Martin, 1998:14).

Due to a lack of reliable qualitative and quantitative data in CEE/CIS, measuring the effectiveness of ALMPs in the region has been a challenge. As a result of deficiencies in official government statistics, a number of studies reviewed for this paper ended up creating their own micro-data sets using field surveys<sup>37</sup> (Rodriguez-Planas and Benus, 2007:8; Leetmaa and Vörk, 2003:123; etc.).<sup>38</sup>

---

<sup>35</sup> A significant drawback of micro-level evaluation studies is that they do not account for distortive effects at the aggregate level.

<sup>36</sup> General equilibrium effects, such as “dead weight,” displacement, and substitution, occur when a program impacts individuals other than its participants. Fretwell, et al. define *dead weight* as money spent on ALMPs that provides services to individuals who could have been reemployed without assistance. They maintain that this cost necessitates the need to compute net program impact estimates, which requires comparing outcomes of ALMP participants with those of similar non-participants. Panel data would allow this sort of comparison. *Displacement* occurs “when [ALMP] participants gain reemployment at the expense of other qualified workers who might have taken the job anyway, so there is no net gain in employment by using [ALMPs]. *Substitution* occurs when [ALMP] money received by a firm to expand employment simply reduces spending which otherwise would have been made anyway.” (Fretwell, et al., 1999:10)

<sup>37</sup> Drawbacks of using survey data include limited sample size, imperfect recall of interviewees, and the possibility of false responses – all can lead to biased results. In many cases, researchers found that official data lacks key socio-economic variables needed for analysis, and/or were concerned that individuals surveyed may be reluctant to disclose personal information, such as earnings, to public authorities. One study

The Fretwell study (1999:3) highlights two basic approaches to measuring ALMPs: 1) performance indicators based on program objectives (i.e., increased probability of employment, enhanced wages), which are measured based on how participants meet these indicators; and 2) “comparison group design” evaluations, which compare the degree to which ALMP participants (vs. non-participants) meet program goals. This study conducted a partial cost-benefit analysis that measured program costs for each participant, temporary income support savings, the net impact on reemployment, and average monthly earnings. They did not have access to other key information, such as downstream wage impacts, and returns to society (tax revenues, productivity gains, long-term income support payments required by non-participants).

---

conducted household surveys in order to collect comprehensive demographic and economic information on ALMP participant households, including: education level and previous work experience; training and other ALMP services used; supplementary social services; and facts about the participants’ job search and work experience during the program (Struyk and Chagin, 2004:8).

<sup>38</sup> The latter study used non-experimental data to examine whether participation in Estonia’s ALMPs had increased the probability of future employment and wage, using linear regression analysis and propensity score matching technique for comparing the unemployed with similar characteristics.

## Annex 2. Country ALMP Impact Results

The following individual country pages contain expanded information on ALMP program outcomes.

- Positive Impact (Statistically Significant)
- Non-positive Impact (Statistically Insignificant)
- Inconclusive

<i><b>Bosnia-Herzegovina</b></i>				
<b>Small Business/ Self-Employment Assistance</b>	<b>Employment Services</b>	<b>Skills Training</b>	<b>Wage Subsidies</b>	<b>Public Works</b>
Type(s) of Unemployment Intervention Addresses (*)				
Cyclical	Structural and Frictional	Structural and Cyclical	Structural and Cyclical	Short-term Cyclical
--	■	■	--	--

**Donor Study:** Benus, Rude, and Patrabanah (2001)

[http://pdf.usaid.gov/pdf\\_docs/PCAAB161.pdf](http://pdf.usaid.gov/pdf_docs/PCAAB161.pdf)

### **Emergency Demobilization and Reintegration Project (EDRP) (1996-99)**

This study evaluates the effectiveness of EDRP by assessing net impact of its ALMP components.

**Program Goal:** EDRP sought to reintegrate demobilized soldiers and displaced workers into civilian workforce and increase economic productivity with ALMPs.

**Primary Target Group:** Demobilized soldiers (21,980 clients served out of 301,964 demobilized soldiers)

**Secondary Target Group:** Refugees, war victims, disabled, widows and the general unemployed.

**Total Project Funding:** \$15,494,200.

**Conclusion:** Overall, EDRP affected participants by increasing their likelihood of employment rather than by increasing their earnings on a job. Thus, the study determined that ALMPs were effective in reintegrating demobilized soldiers into the economy. Slightly larger positive impacts were found for males.

**Methodology:** Quasi-experimental evaluation.

---

\* Economists often distinguish between three types of unemployment: see Technical Brief on page 15 for more information.



<b>Bulgaria</b>				
<b>Small Business / Self-Employment Assistance</b>	<b>Employment Services</b>	<b>Skills Training</b>	<b>Wage Subsidies</b>	<b>Public Works</b>
Type(s) of Unemployment Intervention Addresses (*)				
Cyclical	Structural and Frictional	Structural and Cyclical	Structural and Cyclical	Short-term Cyclical
<input checked="" type="checkbox"/> (highest positive impact)	<input checked="" type="checkbox"/> (overall)  <input type="checkbox"/> (men)	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/> (lowest positive impact)

**Academic Study:** Walsh, Kotzeva, Dölle, and Dorenbos (2001)  
[http://ec.europa.eu/ewsi/UDRW/images/items/doc1\\_3643\\_972552927.pdf](http://ec.europa.eu/ewsi/UDRW/images/items/doc1_3643_972552927.pdf)

This study analyzes micro-level impact of ALMPs on participant reemployment probabilities.

**Primary target group:** Registered unemployed during 1998. Total participants: 60,469. Majority (85.9%) took part in temporary employment (public works).

**Conclusion:** All five ALMPs examined returned positive net impact estimates; determined that participation improved the employment prospects of participants in the regular labor market. Education level – while all participants benefited, those with primary education or below benefited significantly from all five programs, particularly training without a guaranteed job.

**Methodology:** Quasi-experimental evaluation.

\* Economists often distinguish between three types of unemployment: see Technical Brief on page 15 for more information.

<b>Estonia</b>				
<b>Small Business / Self-Employment Assistance</b>	<b>Employment Services</b>	<b>Skills Training</b>	<b>Wage Subsidies</b>	<b>Public Works</b>
Type(s) of Unemployment Intervention Addresses (*)				
Cyclical	Structural and Frictional	Structural and Cyclical	Structural and Cyclical	Short-term Cyclical
■	--	■	--	--

**Academic Study:** Leetmaa and Vörk (2003)  
<http://www.eestipank.info/jump?objld=425481>

Study analyzes net impact of ALMPs on employment and wages of participants in Estonia between 2000-2002. Training, subsidized employment and business start-up grants are considered.

**Target group:** Registered unemployed who worked at least 180 days the previous year; and who in 2000 participated either in active or passive programs or both. During 2000-2002, this totaled 34,869.

**Conclusion:** ALMPs have a positive and statistically significant impact on employment probability, but no effect on wages, conditional on being employed. ALMP participants had 12% higher probability of working compared to non-participants. Impact of training is homogeneous in different socioeconomic groups and geographic regions.

**Methodology:** Uses micro-level data from administrative records and a follow-up survey of unemployed, conducted in September 2002. Linear regression models and propensity score matching are used to estimate impact.

---

\* Economists often distinguish between three types of unemployment: see Technical Brief on page 15 for more information.

<b>Hungary</b>				
<b>Small Business/ Self-Employment Assistance</b>	<b>Employment Services</b>	<b>Skills Training</b>	<b>Wage Subsidies</b>	<b>Public Works</b>
Type(s) of Unemployment Intervention Addresses (*)				
Cyclical	Structural and Frictional	Structural and Cyclical	Structural and Cyclical	Short-term Cyclical
■	■  (larger positive impact for females, younger workers, those with non-vocational education, blue collar workers, voluntarily unemployed, short-term unemployed, and participants with no prior work experience)  <input type="checkbox"/>  (re-employment in non-subsidized jobs)	■	<input type="checkbox"/>  Subgroup analysis: mostly benefited participants in areas with moderate unemployment.	<input type="checkbox"/>  (no impact on women or participants with general secondary or higher education; large non-positive impacts on participants with 8 or less years of school)

**Academic Study:** O’Leary (1998)

<http://www.upjohninst.org/erdc/hungary/execsumm.pdf>

Using 1997 survey data, this study focuses on retraining of unemployed persons in Hungary, which was done either through individual plans or in groups through classes selected by the local or county labor center.

**Training target group:** Unemployed, expected to be unemployed, involved in public works, or recent school graduates.

**Wage subsidy target group:** Long-term unemployed.

**Self-employment target:** Small fraction of persons eligible for UC.

**Conclusion:** Not all ALMPs have positive statistically significant impacts on employment and average monthly earnings. While self-employment assistance and training had an increased probability of employment, employment services, wage subsidies and public works programs did not. In terms of wage gains, self employment had a non-positive impact. Employment services raised monthly earnings, as did public works.

**Methodology:** Relies on 1997 survey data gathered from randomly selected program participant and comparison group samples in a group of ten counties.

\* Economists often distinguish between three types of unemployment: see Technical Brief on page 15 for more information.

<b>Kosovo</b>				
<b>Small Business/ Self-Employment Assistance</b>	<b>Employment Services</b>	<b>Skills Training</b>	<b>Wage Subsidies</b>	<b>Public Works</b>
Type(s) of Unemployment Intervention Addresses (*)				
Cyclical	Structural and Frictional	Structural and Cyclical	Structural and Cyclical	Short-term Cyclical
--	--	■	--	--

**Donor Study:** Mukkavilli (2007)

[http://www.kosovo.undp.org/repository/docs/ALMP%20External%20Evaluation%20Report\\_June08.pdf](http://www.kosovo.undp.org/repository/docs/ALMP%20External%20Evaluation%20Report_June08.pdf)

**ALMP for Youth Project (2007)**

Study assesses impact of training on employment; calculates cost benefit; assesses project relevance; and makes recommendations on next phase of the project and post project period.

**Target group:** Young job-seekers, ages 15-29. In 2007, project benefited 1,481 job seekers (13.56%), out of a national total of 10,920 young job seekers. Average age was 24. About half were women. 4 out of 5 participants took part in on-the-job training.

**Conclusion:** Overall, the program generated a positive benefit that is over 1.42 times program costs. Average per beneficiary cost for the project was 578.74 Euros. Survey found that training participants had a significantly higher rate of employment than non-participants, but slightly lower monthly earnings (175 vs. 193 Euros). The higher a participant's level of education, the greater prospect of employment.

**Methodology:** Quasi-experimental analysis technique that included a field survey combined with desk review and key informant interviews.

---

\* Economists often distinguish between three types of unemployment: see Technical Brief on page 15 for more information.

<b>Poland</b>				
<b>Small Business/ Self-Employment Assistance</b>	<b>Employment Services</b>	<b>Skills Training</b>	<b>Wage Subsidies</b>	<b>Public Works</b>
Type(s) of Unemployment Intervention Addresses (*)				
Cyclical	Structural and Frictional	Structural and Cyclical	Structural and Cyclical	Short-term Cyclical
--	--	■	□ (no impact on women)	□

**Academic Study:** Kluve, Schmidt and Lehmann (1999)

<http://www.econ.kuleuven.ac.be/licos/DP/DP1999/LICOSDP80.pdf>

This study provides micro-econometric evidence on the effectiveness of three ALMPs in Poland from 1992-96. Including publicly financed training and retraining, wage subsidies and public works.

**Target group:** Unemployed individuals who have slightly more human capital than the average unemployed are targeted for training, while for wage subsidies and public works individuals targeted possess significantly less human capital than the average unemployed.

**Conclusion:** Training of men and women had a positive effect on employment probability. For men, public works and intervention works (a.k.a. wage subsidies) had negative treatment effects, while participation in intervention works did not affect female employment probabilities. Authors attribute negative treatment effects for men to benefit churning rather than to stigmatization of intervention and public works participants.

**Gender analysis:** Women tend to be represented more substantially in training schemes, whereas men dominate intervention works. For women, training and wage subsidies raise the probability of employment by about 17% and 6%, respectively.

**Methodology:** Implemented a micro-level conditional difference-in-differences matching estimator to evaluate effectiveness of three ALMPs.

\* Economists often distinguish between three types of unemployment: see Technical Brief on page 15 for more information.

## Romania

Small Business / Self-Employment Assistance	Employment Services	Skills Training	Wage Subsidies	Public Works
Type(s) of Unemployment Intervention Addresses (*)				
Cyclical	Structural and Frictional	Structural and Cyclical	Structural and Cyclical	Short-term Cyclical
■	--	--	--	■

**Academic Study:** Rodriguez-Planas (2008)

[http://www.eale.nl/Conference2008/Programme/PapersF/add71103\\_eEo5LUgeVg.pdf](http://www.eale.nl/Conference2008/Programme/PapersF/add71103_eEo5LUgeVg.pdf)

Using survey data and matching methods, this study enhances understanding of the potential of PW and SBA in transition economies, in general, and Romania, in particular.

**Target Group:** Displaced workers by subgroup - age, location, education level.

**Conclusions:** Authors maintain that heterogeneity matters and ALMPs need to be tailored to the problem at hand, rather than following a one-size-fits-all approach. Results show that PW programs are effective for workers with little access to informal job-search channels, and that SBA works for participants with less access to the primary labor market sector. This study highlights the concern of policy makers as to the suitability of ALMPs for different population subgroups.

Small Business / Self-Employment Assistance	Employment Services	Skills Training	Wage Subsidies	Public Works
■	■	■	--	□

**Academic Study:** Rodriguez-Planas and Benus (2007)

<http://pareto.uab.es/wp/2007/69907.pdf>

Evaluates impacts of four ALMPs in the late 1990s.

**Target Group:** Displaced entrepreneurs, recently unemployed workers, those who lack basic/marketable skills, regions with least economic opportunities.

**Conclusions:** Three ALMPs (training, SBA, and ES) had success in improving participants' economic outcomes and were cost-beneficial. In contrast, public works was detrimental.

**Methodology:** Analysis is based on conditional independence assumption (CIA); uses kernel-based matching estimator to estimate average treatment effect.

Small Business / Self-Employment Assistance	Employment Services	Skills Training	Wage Subsidies	Public Works
--	--	■	■	■

**Academic Study:** Bocean (2007) [http://mpa.ub.uni-muenchen.de/10397/1/MPRA\\_paper\\_10397.pdf](http://mpa.ub.uni-muenchen.de/10397/1/MPRA_paper_10397.pdf)

Presents a theoretical and empirical analysis of different types of ALMPs using data on Romania during 2000-2005.

**Target Group:** Unemployed.

**Conclusions:** Wage subsidies are most effective in reducing unemployment. Training and public works also have a positive impact. Despite the latter programs' overall positive impact, their budgetary cost is high and they are likely to be subject to diminishing returns as employment rates rise.

\* Economists often distinguish between three types of unemployment: see Technical Brief on page 15 for more information.

## Russia

Small Business / Self-Employment Assistance	Employment Services	Skills Training	Wage Subsidies	Public Works
Type(s) of Unemployment Intervention Addresses (*)				
Cyclical	Structural and Frictional	Structural and Cyclical	Structural and Cyclical	Short-term Cyclical
--	■	--	--	--

**Donor Study:** Struyk and Chagin (2004)

[http://www.urban.org/UploadedPDF/411060\\_Russian\\_job\\_search.pdf](http://www.urban.org/UploadedPDF/411060_Russian_job_search.pdf)

Presents impact evaluation of employment services and SBA support to unemployed workers.

**Target Group:** Unemployed in very low-income families.

**Conclusions:** Participants significantly more likely to find and retain a job than a control group registered at local Employment Centers at the same time. However, participants took jobs that paid lower wages than the control group. 75 percent of participants remained employed more than a year after exiting the program.

Small Business / Self-Employment Assistance	Employment Services	Skills Training	Wage Subsidies	Public Works
	□ (Voronezh region)			□ (Voronezh region)
	■ (Chelyabinsk City)			■ (Chelyabinsk City)

**Academic Study:** Akhmedov, Denisova, and Kartseva (2003)

<http://www.cefir.ru/papers/WP37.pdf>

Micro-level study of the effectiveness of ALMPs in two regions of Russia - Voronezh province and Chelyabinsk city – with a focus on probability of re-employment.

**Target groups:** Unemployed in two regions – Voronezh and Chelyabinsk City.

**Conclusions:** In Voronezh region, ALMPs had a non-positive impact: they prolonged unemployment between 2 to 4 months. In Chelyabinsk City, however, all programs (except “psychological support”) had more positive results, and did not amplify unemployment; several ALMPs helped participants find jobs more quickly.

Results based on age, education level, location, and pre-unemployment history show that subgroups with redundant pre-unemployment and those with secondary professional/ secondary general education are relatively positive, compared with the average effect. Results are better for females than for males in the majority of programs.

**Methodology:** Non-experimental matching approach, using *duration of unemployment until employment* as the outcome.

\* Economists often distinguish between three types of unemployment: see Technical Brief on page 15 for more information.

## Slovakia

Small Business/ Self-Employment Assistance	Employment Services	Skills Training	Wage Subsidies	Public Works
Type(s) of Unemployment Intervention Addresses (*)				
Cyclical	Structural and Frictional	Structural and Cyclical	Structural and Cyclical	Short-term Cyclical
■	■	■	□	■

**Donor Study:** Lubyova (1998)

[http://www.boeckler.de/pdf/South-East\\_Europe\\_Review-1998-3-p31.pdf](http://www.boeckler.de/pdf/South-East_Europe_Review-1998-3-p31.pdf)

Summarizes the effectiveness of total ALMP expenditures in Slovakia.

**Target groups:** School-leavers, long-term unemployed, persons over 50 years of age, parents returning after prolonged maternity leave, and those laid-off for organizational reasons.

**Conclusion:** After correcting for endogeneity, the study finds that the effect of overall ALMP spending on outflows to regular and subsidized jobs was statistically significant and positive. An additional 100,000 crowns (DM 5.000) spent on ALMP per month in a district would, on average, increase the number of placed persons by 2.5 per month. Subsidized employment programs, however, had statistically insignificant impacts.

However, a major impetus for job creation has to be established through a set of broader macro-economic measures, such as promotion of foreign direct investment, tax policies, and clear regional economic strategies. Only then can ALMPs help in a more refined way.

**Methodology:** Based on a traditional Cobb-Douglas matching function.

Small Business/ Self-Employment Assistance	Employment Services	Skills Training	Wage Subsidies	Public Works
--	--	■	□	■

**Academic Study:** Lubyova and Van Ours (1998)

<http://www.wdi.umich.edu/files/Publications/WorkingPapers/wp213.pdf>

Analyzes whether it is more beneficial for unemployed workers who want a regular job to accept a subsidized (temporary) public works job or to enter a (re)training program.

**Conclusion:** Training and public jobs programs had positive effects on the outflow from unemployment, while subsidized jobs had a non-positive effect. Female, lower-educated, and older unemployed workers were found to be in a worse position within the country's labor market.

\* Economists often distinguish between three types of unemployment: see Technical Brief on page 15 for more information.



<b>Slovenia</b>				
<b>Small Business / Self-Employment Assistance</b>	<b>Employment Services</b>	<b>Skills Training</b>	<b>Wage Subsidies</b>	<b>Public Works</b>
Type(s) of Unemployment Intervention Addresses (*)				
Cyclical	Structural and Frictional	Structural and Cyclical	Structural and Cyclical	Short-term Cyclical
--	--	--	--	<input checked="" type="checkbox"/> (short-run)  <input type="checkbox"/> (long run)

**Academic Study:** Vodopivec (1998)

<http://www.wdi.umich.edu/files/Publications/WorkingPapers/wp214.pdf>

Analyzes the effects of Slovenian public works on employability.

**Target Group:** Unemployed workers with limited access to jobs.

**Conclusions:** Finds that immediately upon completion of a public works program, the program had positive impact in helping participants find jobs; however, this effect dissipates and becomes negative in the long run.

---

\* Economists often distinguish between three types of unemployment: see Technical Brief on page 15 for more information.

## Ukraine

Small Business / Self-Employment Assistance	Employment Services	Skills Training	Wage Subsidies	Public Works
Type(s) of Unemployment Intervention Addresses (*)				
Cyclical	Structural and Frictional	Structural and Cyclical	Structural and Cyclical	Short-term Cyclical
--	--	■ (after 90 days, positive impact declines)	--	□

**Academic Study:** Mikhed (2007)

[http://www.cerge-ei.cz/pdf/wbrf\\_papers/V\\_Mikhed\\_WBRF\\_Paper.pdf](http://www.cerge-ei.cz/pdf/wbrf_papers/V_Mikhed_WBRF_Paper.pdf)

Evaluates impacts of training and public works policies in Ukraine on duration of unemployment, using micro level administrative data, 2001-03.

**Target Groups:** Long-term unemployed and people lacking skills needed for a market economy.

**Conclusion:** Finds that both training and public works did not have a significant impact on the duration of unemployment – in some cases, they even prolonged this duration.

Small Business / Self-Employment Assistance	Employment Services	Skills Training	Wage Subsidies	Public Works
--	--	■	--	■ (larger positive effects directly following completion, compared to training)

**Academic Study:** Kupets (2000)

[http://www.kse.org.ua/eroc/2000/Kupets\\_Olga/body.pdf](http://www.kse.org.ua/eroc/2000/Kupets_Olga/body.pdf)

Surveys labor market dynamics in Ukraine to draw preliminary lessons about appropriate labor policies.

**Target Group:** Unemployed.

**Conclusion:** ALMPs improve efficiency of Ukrainian labor market. Training/retraining programs are more effective than public works. However, the latter has larger positive effects on hiring than training just after completion. Recommends it may be more cost-effective for government to implement different ALMP programs on a large scale in conjunction with a tightening of unemployment benefits system before a large and stagnant unemployment pool has developed.

**Methodology:** Uses cross-regional quarterly administrative data from Ukraine's National Employment Service on registered outflows from unemployment to jobs, stocks of registered unemployed and vacancies, inflows and spending on training and public works.

\* Economists often distinguish between three types of unemployment: see Technical Brief on page 15 for more information.

## Cross-Country Studies (Including Transition Countries)

Small Business / Self-Employment Assistance	Employment Services	Skills Training	Wage Subsidies	Public Works
Type(s) of Unemployment Intervention Addresses (*)				
Cyclical	Structural and Frictional	Structural and Cyclical	Structural and Cyclical	Short-term Cyclical
■ (work for only a small subset of unemployed)	■ (most studies report positive impacts)	■ (social rate of return typically non-positive for youth)	□	□ (short-run anti-poverty intervention)

**Academic Study:** Dar and Tzannatos (1999)

<http://siteresources.worldbank.org/SOCIALPROTECTION/Resources/SP-Discussion-papers/Labor-Market-DP/9901.pdf>

Justifies importance of doing a rigorous evaluation to examine the impact and cost-effectiveness of ALMPs.

**Conclusions:** Some ALMPs are useful to some workers, but effectiveness depends not only on design but also on the country's overall macro and labor market framework.

- Public works: not effective in long term;
- Employment services: positive impact; usually cost-effective relative to other ALMPs, but do not notably improve youth employment prospects/ wages;
- Training: helps when economy is improving. Small-scale, targeted on-the-job training schemes (aimed at women/older groups) yield best returns. Cost-effectiveness generally disappointing;
- SBA: high failure rate. Targeting specific groups (i.e., women, older workers) has greater chance of success.
- Wage subsidies: unlikely to have a positive impact. Careful targeting can reduce negative impacts, but not eliminate substitution/ deadweight effects; further controls may be necessary to ensure firms do not misuse this program as a permanent subsidy program.

Small Business / Self-Employment Assistance	Employment Services	Skills Training	Wage Subsidies	Public Works
■	■	■ (small positive impact; non-positive over time in Turkey)	— (varied by country)	□

**Donor Study:** Fretwell, Benus, and O'Leary (1999)

<http://info.worldbank.org/etools/docs/library/76309/dc2002/proceedings/pdfpaper/module2dfjbc0.pdf>

Addresses economic agenda of ALMPs and attempts to answer the question: do ALMPs have a significant positive impact on employment and earnings, and if so for whom?

**Countries evaluated:** Czech Republic, Poland, Hungary, and Turkey.

**Conclusion:** ALMPs can have a significant positive impact on post-program employment and earnings for selected target groups. Poorly designed or incorrectly targeted programs, however, may have no impact and, in some cases a negative impact; they may also be costly, ineffective, and inefficient. Results show that the impact of ALMPs varies within and between countries. However, notwithstanding the findings of this study, the authors emphasize that a good investment climate, and not ALMP activity, is the primary engine for job creation. Maintains there is a need for more rigorous, comprehensive and ongoing evaluations to support program management and policy decisions, in OECD as well as middle income countries.

\* Economists often distinguish between three types of unemployment: see Technical Brief on page 15 for more information.

## Cross-Country Studies (Including Transition Countries) (Continued)

Small Business / Self-Employment Assistance	Employment Services	Skills Training	Wage Subsidies	Public Works
--	--	--	--	—

**Donor Study:** Wilson and Fretwell (1999)

[http://www-](http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2000/03/21/000094946_00030205355769/Rendered/PDF/multi_page.pdf)

[wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2000/03/21/000094946\\_00030205355769/Rendered/PDF/multi\\_page.pdf](http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2000/03/21/000094946_00030205355769/Rendered/PDF/multi_page.pdf)

Examines public employment programs in Denmark, France, Germany, Hungary, Spain, Poland, the United Kingdom and the United States, with some additional data from the Czech Republic.

**Conclusion:** The net impact of public works programs on employment is, on the whole, uncertain. Intervention yielded a temporary reduction in unemployment.

Small Business / Self-Employment Assistance	Employment Services	Skills Training	Wage Subsidies	Public Works
■ (survival rates significantly higher for participants receiving business advisory services)	--	--	--	--

**Donor Study:** Wilson and Adams (1994)

[http://www-](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2000/10/19/00009265_3970311124051/Rendered/PDF/multi_page.pdf)

[wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2000/10/19/00009265\\_3970311124051/Rendered/PDF/multi\\_page.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2000/10/19/00009265_3970311124051/Rendered/PDF/multi_page.pdf)

Describes self-employment programs in 9 industrialized countries and 2 transition economies; explores how this experience has transferred to countries making the transition to market economies.

In Poland, the share of unemployed entering a SBA program was below 5%, matching OECD levels. In Hungary, with interest-free loans offered and a widely defined target group, participation exploded to nearly half the unemployed in 1989, before falling to 37% in 1990.

**Conclusion:** Self-employment is not a panacea for unemployment, but SBA programs may be cost-effective alternatives to regular unemployment benefits. Program outcomes are influenced by an enabling business environment.

Capital market deficiencies led self-employment programs in Poland and Hungary to make credit a key program feature, unlike programs in OECD countries. Because the present value of self-employment assistance was greater than that of alternative income support and employment assistance programs, this increased participation in self-employment assistance and its cost without necessarily generating favorable outcomes.

\* Economists often distinguish between three types of unemployment: see Technical Brief on page 15 for more information.

## V. References:

- Akhmedov, Akhmed, Irina A. Denisova, and Marina Kartseva. 2003. "Active Labor Market Policies in Russia: Regional Interpretation Determines Effectiveness?" Moscow: Center for Economic and Financial Research and New Economic School. Available: <http://www.cefir.ru/papers/WP37.pdf>. [Accessed December 9, 2009].
- Alam, Asad, et al. 2005. "Growth, Poverty, and Inequality – Eastern Europe and the Former Soviet Union." Washington, DC: International Bank for Reconstruction and Development/World Bank. Available: <http://siteresources.worldbank.org/INTECA/Resources/complete-eca-poverty.pdf>. [Accessed December 9, 2009].
- Algan, Yann, Pierre Cahuc and Andre Zylberberg. 2001. "Public Employment and Labor Market Performances" (paper prepared for the 34th Panel Meeting of Economic Policy, Brussels, Belgium, September 2001). Available: [http://halshs.archives-ouvertes.fr/docs/00/25/62/07/PDF/Public\\_Employment.pdf](http://halshs.archives-ouvertes.fr/docs/00/25/62/07/PDF/Public_Employment.pdf). [Accessed December 9, 2009].
- Auer, Peter, Ümit Efendioğlu, and Janine Leschke. 2008. *Active Labour Market Policies Around the World: Coping with the Consequences of Globalization*, 2<sup>nd</sup> edition. Geneva: International Labour Organization (ILO). Promotion flyer available: [http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/article/wcms\\_092570.pdf](http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/---publ/documents/article/wcms_092570.pdf). [Accessed December 9, 2009].
- Betcherman, Gordon. April 2008. "Active Labor Market Programs: Overview and International Evidence on What Works." World Bank Labor Market Policy Core Course. Washington, DC: World Bank. Available: <http://info.worldbank.org/etools/docs/library/243362/day6GordonBetchermanALMPA/pr7Session1.pdf>. [Accessed December 9, 2009].
- Betcherman, Gordon, Karina Olivas, and Amit Dar. 2003. "Impacts of Active Labor Market Programs: New Evidence from Evaluations with Particular Attention to Developing and Transition Countries." *Social Protection Discussion Paper Series*, No. 0402. Washington, DC: World Bank. Available: <http://info.worldbank.org/etools/docs/library/206511/ALMP%20impacts%202004.pdf>. [Accessed December 9, 2009].
- Betcherman, Gordon, et al. 2000. "Active Labor Market Programs: Policy Issues for East Asia." *Social Protection Discussion Paper Series*, No. 0005. Washington, DC: World Bank. Available: <http://siteresources.worldbank.org/SOCIALPROTECTION/Resources/SP-Discussion-papers/Labor-Market-DP/0005.pdf>. [Accessed December 9, 2009].
- Bocean, Claudiu George. 2007. "The Impact of Active Labour Market Policies in

- Romania.” Munich Personal RePEc Archive (MPRA) Paper No. 10397. Romania: University of Craiova. Available: [http://mpa.ub.uni-muenchen.de/10397/1/MPRA\\_paper\\_10397.pdf](http://mpa.ub.uni-muenchen.de/10397/1/MPRA_paper_10397.pdf). [Accessed December 9, 2009].
- Boeri, Tito, and Michael Burda. 1995. “Active Labour Market Policies, Job Matching and The Czech Miracle” (paper prepared for the European Economic Association Meeting, Prague, Czech Republic, September 1-4, 1995). *CEPR Discussion Papers Series*, No. 1302. London: Centre for Economic Policy Research. Available: <http://citeseerx.ist.psu.edu/viewdoc/download;jsessionid=7FF6CC5F961F802C169F048823906750?doi=10.1.1.30.8257&rep=rep1&type=pdf>. [Accessed December 9, 2009].
- Cahuc, Pierre, and André Zylberberg. 2004. *Labor Economics*. Cambridge: The MIT Press. Limited preview available at: [http://books.google.com/books?id=fAVksWdZODUC&dq=%22labor+economics%22+cahuc&printsec=frontcover&source=bn&hl=en&sa=X&oi=book\\_result&resnum=4&ct=result#PPR7,M1](http://books.google.com/books?id=fAVksWdZODUC&dq=%22labor+economics%22+cahuc&printsec=frontcover&source=bn&hl=en&sa=X&oi=book_result&resnum=4&ct=result#PPR7,M1). [Accessed December 9, 2009].
- Calderón-Madrid, Angel. 2006. “Revisiting the Employability Effects of Training Programs for the Unemployed in Developing Countries.” Latin American Research Center. Research Network Working Paper #R-522. Washington, DC: Inter-American Development Bank (IDB). Available: <http://www.iadb.org/res/publications/pubfiles/pubR-522.pdf>. [Accessed December 9, 2009].
- Card, David, Jochen Kluge, and Andrea Weber. February 2009. “Active Labor Market Policy Evaluations: A Meta-Analysis.” *Institute for the Study of Labor (IZA) Discussion Paper Series*. Bonn: IZA. Available: <http://ftp.iza.org/dp4002.pdf>. [Accessed December 9, 2009].
- Cazes, Sandrine. 2008. “Flexicurity Experiences from Central and Eastern Europe” (paper presented at the High-Level Tripartite Dialogue on the European Social Model in the Context of Globalization conference, Turin, Italy, July 1-3, 2008). Geneva: International Labour Organization (ILO). Available: [http://zope298.ilo.org/delta/hld2008/hld/en/thematical-papers/sandrine-cazes.ppt#316,1,Flexicurity\\_experiences\\_from\\_Central\\_and\\_Eastern\\_Europe](http://zope298.ilo.org/delta/hld2008/hld/en/thematical-papers/sandrine-cazes.ppt#316,1,Flexicurity_experiences_from_Central_and_Eastern_Europe). [Accessed December 9, 2009].
- Cebrian, Inmaculada, et al. 1996. “The Influence of Unemployment Benefits on Unemployment Duration: Evidence from Spain,” *Labour*, Volume 10, Issue 2, 239-268. Abstract available: <http://www3.interscience.wiley.com/journal/119224820/abstract>. [Accessed December 9, 2009].
- Dar, Amit, and A. Zafiris Tzannatos. 1999. “Active Labor Market Programs: A Review of

- the Evidence from Evaluations.” *Social Protection Discussion Paper Series*, No. 9901. Washington, DC: World Bank. Available: <http://siteresources.worldbank.org/SOCIALPROTECTION/Resources/SP-Discussion-papers/Labor-Market-DP/9901.pdf>. [Accessed December 9, 2009].
- de Koning, Jaap, and Yuri Peers, 2007. “Evaluating ALMP Evaluations.” SEOR Working Paper No. 2007/2. Rotterdam: SEOR, Erasmus University Rotterdam. Available: <http://media.seor.nl/publications/evaluating-almpevaluations.pdf>. [Accessed December 9, 2009].
- DiPrete, Thomas A. and Marcus Gangl. 2004. “Assessing Bias in the Estimation of Causal Effects: Rosenbaum Bounds on Matching Estimators and Instrumental Variables Estimation with Imperfect Instruments.” Department of Sociology, Duke University; and Social Science Centre Berlin (WZB). Available: [http://www.wjh.harvard.edu/~cwinship/cfa\\_papers/HBprop\\_021204.pdf](http://www.wjh.harvard.edu/~cwinship/cfa_papers/HBprop_021204.pdf). [Accessed December 9, 2009].
- Dusenbury, Patricia. 2003. “Armenia Labor Market Evaluation and Strategy Assessment. Promoting Jobs in Armenia: Which Labor-Oriented Policy Approaches Are Worth Pursuing?” Washington, DC: Education Development Center. Available: <http://www.gwit.us/Products/Armeniareport.pdf>. [Accessed December 9, 2009].
- Eichhorst, Werner and Regina Konle-Seidl. 2005. “The Interaction of Labor Market Regulation and Labor Market Policies in Welfare State Reform.” Institute for the Study of Labor (IZA) Discussion Paper No. 1718. Bonn: IZA. Available: [http://papers.ssrn.com/sol3/Delivery.cfm/SSRN\\_ID996883\\_code343651.pdf?abstractid=996883&mirid=1](http://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID996883_code343651.pdf?abstractid=996883&mirid=1). [Accessed December 9, 2009].
- Erbenova, Katherine, Michaela Sorm, and Vit Terell. 1998. “Work Incentive and Other Effects of Social Assistance and Unemployment Benefit Policy in the Czech Republic,” *Empirical Economics*, Volume 23, Issue 1/2. Abstract available: [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=122931](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=122931). [Accessed December 9, 2009].
- Estevão, Marcello. 2003. “Do Active Labor Market Policies Increase Employment?” International Monetary Fund (IMF) Working Paper 03/234. Washington, DC: IMF. Available: <http://www.imf.org/external/pubs/ft/wp/2003/wp03234.pdf>. [Accessed December 9, 2009].
- Fay, Robert G. 1996. “Enhancing the Effectiveness of Active Labour Market Policies: Evidence from Programme Evaluations in OECD Countries.” *OECD Labour Market and Social Policy Occasional Papers*, No. 18. Paris: OECD Publishing. Available: <http://lysander.sourceoecd.org/vl=7878826/cl=39/nw=1/rpsv/cgi-bin/wppdf?file=5lgsjhvj7tjl.pdf>. [Accessed December 9, 2009].
- Fields, Gary S. 2007. “Labor Market Policy in Developing Countries: A Selective Review



- of the Literature and Needs for the Future.” *Policy Research Working Paper Series*, No. 4362. Washington, DC: World Bank. Available: [http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2007/09/20/000158349\\_20070920125818/Rendered/PDF/WPS4362.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2007/09/20/000158349_20070920125818/Rendered/PDF/WPS4362.pdf). [Accessed December 9, 2009].
- Fretwell, David H. 2004. “Mitigating the Social Impact of Privatization and Enterprise Restructuring.” *Social Protection Discussion Paper Series*, No. 0405. Washington, DC: World Bank. Available: <http://siteresources.worldbank.org/SOCIALPROTECTION/Resources/SP-Discussion-papers/Labor-Market-DP/0405.pdf>. [Accessed December 9, 2009].
- Fretwell, David H., Jacob Benus, and Christopher J. O’Leary. 1999. “Evaluating the Impact of Active Labor Programs: Results of Cross-Country Studies in Europe and Central Asia.” *Social Protection Discussion Paper Series*, No. 9915. Washington, DC: World Bank. Available: <http://info.worldbank.org/etools/docs/library/76309/dc2002/proceedings/pdfpaper/module2dfjbc0.pdf>. [Accessed December 9, 2009].
- Gill, Indermit, and Amit Dar. 1995. “Labor Market Policies, Institutions, and Interventions.” Washington, DC: World Bank.
- Grosh, Margaret, et al. 2008. “For Protection & Promotion: The Design and Implementation of Effective Safety Nets.” Washington, DC: International Bank for Reconstruction and Development/The World Bank. Available: [http://siteresources.worldbank.org/SAFETYNETSANDTRANSFERS/Resources/281945-1223052223982/For\\_Protection\\_and\\_Promotion-Frontmatter.pdf](http://siteresources.worldbank.org/SAFETYNETSANDTRANSFERS/Resources/281945-1223052223982/For_Protection_and_Promotion-Frontmatter.pdf). [Accessed December 9, 2009].
- Haahr, Jens Henrik, and Tine Andersen. n.d. “Flexicurity in a Context of Restructuring: Contribution to the Mutual Learning Programme of the European Employment Strategy.” Discussion Paper. Taastrup: Danish Technological Institute. Available: <http://www.jens-henrik-haahr.dk/pdf/flexicurity.pdf>. [Accessed December 9, 2009].
- Holzmann, Robert (ed.). 2009. “Social Protection and Labor at the World Bank, 2000-2008.” Washington, DC: World Bank. Available: [http://siteresources.worldbank.org/SOCIALPROTECTION/Resources/280558-1225731593400/SPL\\_at\\_the\\_WB\\_2000-08.pdf](http://siteresources.worldbank.org/SOCIALPROTECTION/Resources/280558-1225731593400/SPL_at_the_WB_2000-08.pdf). [Accessed December 9, 2009].
- Kerem, Kaie and Mare Randveer. February 2008. “Assessment of the Estonian Labor Market Development,” *International Business & Economics Research Journal*, Volume 7, Number 2. Available: <http://www.cluteinstitute-onlinejournals.com/PDFs/732.pdf>. [Accessed December 9, 2009].
- Kaufman, Robert R. 2007. “Market Reform and Social Protection: Lessons from the



- Czech Republic, Hungary and Poland,” *East European Politics and Societies*, Volume 21, No. 1. Abstract available: <http://eep.sagepub.com/cgi/content/abstract/21/1/111>. [Accessed December 9, 2009].
- Kluve, Jochen, et al. 2007. *Active Labor Market Policies in Europe: Performance and Perspectives*. Rheinisch-Westfälisches Institut für Wirtschaftsforschung Essen. New York: Springer.
- Kluve, Jochen, Hartmut Lehmann, and Christophe M. Schmidt. 1999. “Active Labor Market Policies in Poland: Human Capital Enhancement, Stigmatization or Benefit Churning?” LICOS Centre for Transition Economics. Discussion Paper 80. Belgium: LICOS Centre for Transition Economics. Available: <http://www.econ.kuleuven.ac.be/licos/DP/DP1999/LICOSDP80.pdf>. [Accessed December 9, 2009].
- Kolev, Alexandre. 2003. “Joblessness and Precarious Work in Bulgaria: Addressing the Multiple Aspects of Vulnerability in the Labour Market.” *Social Protection Discussion Series*, No. 0303. Washington, DC: World Bank. Available: <http://siteresources.worldbank.org/SOCIALPROTECTION/Resources/SP-Discussion-papers/Labor-Market-DP/0303.pdf>. [Accessed December 9, 2009].
- Kupets, Olga. 2000. “The Impact of Active Labor Market Policies on the Outflows from Unemployment to Regular Jobs in Ukraine.” Economics Education and Research Consortium. Master of Arts in Economics Thesis. Kiev: National University “Kiev-Mohyla Academy. Available: [http://www.kse.org.ua/eroc/2000/Kupets\\_Olga/body.pdf](http://www.kse.org.ua/eroc/2000/Kupets_Olga/body.pdf). [Accessed December 9, 2009].
- Leetmaa, Reelika and Andres Võrk. 2003. “Evaluation of Active Labour Market Programmes in Estonia.” Estonia: University of Tartu. Available: <http://www.eestipank.info/jump?objId=425481>. [Accessed December 9, 2009].
- Lehmann, Hartmut and Jochen Kluve. October 2008. “Assessing Active Labor Market Policies in Transition Economies” (extended version of lecture given by Hartmut Lehmann at the XXII Conference of the Italian Association of Labor Economists (AIEL), Naples, Italy, September 2007). Available: <http://www2.dse.unibo.it/wp/646.pdf>. [Accessed December 9, 2009].
- Lubyova, Martina. 1998. “Active Labour Market Policies in the Slovak Republic,” *South-East Europe Review (SEER) for Labour and Social Affairs*. Düsseldorf: Hans-Böckler-Foundation. Available: [http://www.boeckler.de/pdf/South-East\\_Europe\\_Review-1998-3-p31.pdf](http://www.boeckler.de/pdf/South-East_Europe_Review-1998-3-p31.pdf). [Accessed December 9, 2009].
- and J.C. van Ours. 1998. “Effects of Active Labor Market Programs on the Transition Rate from Unemployment into Regular Jobs in the Slovak Republic.” The William David Institute: University of Michigan. Working Paper no. 213. Available:

- <http://www.wdi.umich.edu/files/Publications/WorkingPapers/wp213.pdf>. [Accessed December 9, 2009].
- Martin, John P. 1998. "What Works Among Active Labour Market Policies: Evidence From OECD Countries' Experiences." *OECD Labour Market and Social Policy Occasional Papers*, No. 35. Paris: OECD Publishing. Available: <http://puck.sourceoecd.org/vl=1427613/cl=34/nw=1/rpsv/cgi-bin/wppdf?file=5lgsjihvj7sbx.pdf>. [Accessed December 9, 2009].
- Mikhed, Vyacheslav. 2007. "Evaluation of Active Labor Market Policies in Ukraine Using Micro Level Data from Unemployment Registries." *CERGE-EI World Bank Fellowships Discussion Paper Series*. Available: [http://www.cerge.cuni.cz/pdf/wbrf\\_papers/V\\_Mikhed\\_WBRF\\_Paper.pdf](http://www.cerge.cuni.cz/pdf/wbrf_papers/V_Mikhed_WBRF_Paper.pdf). [Accessed December 9, 2009].
- Mukkavilli, Seetharam. June 2008. "Evaluation of Active Labour Market Programme for Youth in Kosovo." United Kingdom: DevTech Solutions. Available: [http://www.kosovo.undp.org/repository/docs/ALMP%20External%20Evaluation%20Report\\_June08.pdf](http://www.kosovo.undp.org/repository/docs/ALMP%20External%20Evaluation%20Report_June08.pdf). [Accessed December 9, 2009].
- O'Leary, Christopher J., Alena Nesporova, and Alexander Samorodov. 2001. "Manual on Evaluation of Labour Market Policies in Transition Economies." Geneva: International Labour Office. Available: [http://www.upjohninst.org/staff/ilo\\_evaluation\\_manual\\_ons.pdf](http://www.upjohninst.org/staff/ilo_evaluation_manual_ons.pdf). [Accessed December 9, 2009].
- O'Leary, Christopher J., Piotr Kolodziejczyk, and Gyorgy Lazar. 1998. "The Net Impact of Active Labour Programmes in Hungary and Poland" *International Labour Review*, Volume 137, Number 3.
- O'Leary, Christopher J. 1998. "Evaluating the Effectiveness of Active Labor Programs in Hungary." Upjohn Institute Technical Report No. 98-013. Michigan: W. E. Upjohn Institute for Employment Research. Available: <http://www.upjohninst.org/erdc/hungary/finalreport.pdf>. [Accessed December 9, 2009].
- , 1995. "Performance Indicators: A Management Tool for Active Labor Programs in Hungary and Poland." Michigan: W.E. Upjohn Institute for Employment Research. Available: [http://www.upjohninst.org/publications/newsletter/cjo\\_f95.pdf](http://www.upjohninst.org/publications/newsletter/cjo_f95.pdf). [Accessed December 9, 2009].
- O'Sullivan, Arthur, Steven Sheffrin, and Stephen Perez. 2010. *Macroeconomics: Principles, Applications and Tools*. Pearson Education, Inc. Publishing as Prentice Hall. Chapter 6 overview available at: [http://web.uconn.edu/cunningham/econ1202/ch06.ppt#257,1,Slide\\_1](http://web.uconn.edu/cunningham/econ1202/ch06.ppt#257,1,Slide_1)
- Puhani, Patrick A., 1998. "Advantage Through Training? A Microeconometric Evaluation of

- the Employment Effects of Active Labour Market Programmes in Poland.” *CEPR Discussion Papers Series*. London: Centre for Economic Policy Research. Abstract available: <http://www.cepr.org/pubs/new-dps/dplist.asp?dpno=2000>. [Accessed December 9, 2009].
- Rodriguez-Planas, Núria. May 2008. “Understanding Why Public Employment Services and Small-Business Assistance Programs Work at Getting the Unemployed Back to Work: Evidence from Romania.” Universitat Autònoma de Barcelona, Institute for the Study of Labor (IZA), and FEDEA. Available: [http://www.eale.nl/Conference2008/Programme/PapersF/add71103\\_eEo5LUgeVg.pdf](http://www.eale.nl/Conference2008/Programme/PapersF/add71103_eEo5LUgeVg.pdf). [Accessed December 9, 2009].
- Rodriguez-Planas, Núria, and Jacob Benus. Revised: May 2007. “Evaluating Active Labor Market Programs in Romania.” Barcelona: Universitat Autònoma de Barcelona. Available: <http://pareto.uab.es/wp/2007/69907.pdf>. [Accessed December 9, 2009].
- . 2006. “Evaluating Active Labor Market Programs in Romania.” Institute for the Study of Labor (IZA) Discussion Paper, No 2464. Bonn: IZA. Available: [http://papers.ssrn.com/sol3/Delivery.cfm/SSRN\\_ID949183\\_code685066.pdf?abstractid=949183&mirid=1](http://papers.ssrn.com/sol3/Delivery.cfm/SSRN_ID949183_code685066.pdf?abstractid=949183&mirid=1). [Accessed December 9, 2009].
- Rutkowski, Jan J., et al. 2005. “Enhancing Job Opportunities: Eastern Europe and the Former Soviet Union.” Washington, DC: International Bank for Reconstruction and Development (IBRD)/The World Bank. Available: <http://siteresources.worldbank.org/INTECA/Resources/laborstudy05-fullreport.pdf>. [Accessed December 9, 2009].
- Sánchez-Páramo, Carolina. January 2002. “Unemployment, Skills, and Incentives: An Overview of the Safety Net System in the Slovak Republic.” World Bank Policy Research Working Paper No. 2753. Washington, DC: World Bank. Available: [http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2002/02/16/000094946\\_02020604052945/Rendered/PDF/multi0page.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/IW3P/IB/2002/02/16/000094946_02020604052945/Rendered/PDF/multi0page.pdf). [Accessed December 9, 2009].
- Simai, Mihaley, 2006. “Poverty and Inequality in Eastern Europe and the CIS Transition Economies.” DESA Working Paper No. 17. New York: United Nations, Department of Economic and Social Affairs. Available: [http://www.un.org/esa/desa/papers/2006/wp17\\_2006.pdf](http://www.un.org/esa/desa/papers/2006/wp17_2006.pdf). [Accessed December 9, 2009].
- Struyk, Raymond, and Kirill Chagin. 2004. “Estimating the Impact of a Russian Job Search Program Targeted on the Unemployed in Very Low-Income Families.” Washington, DC: The Urban Institute. Available: [http://www.urban.org/UploadedPDF/411060\\_Russian\\_job\\_search.pdf](http://www.urban.org/UploadedPDF/411060_Russian_job_search.pdf). [Accessed December 9, 2009].

- Van Ours, Jan C. 2002. "The Locking-in Effect of Subsidized Jobs." William Davidson Working Paper Number 474. Michigan: The William David Institute at the University of Michigan Stephen M. Ross Business School. Available: <http://www.wdi.umich.edu/files/Publications/WorkingPapers/wp474.pdf>. [Accessed December 9, 2009].
- Vodopivec, Milan. 1998. "Does the Slovenian Public Work Program Increase Participants' Chances to Find a Job?" William Davidson Institute Working Paper Number 214. Michigan: The William Davidson Institute at the University of Michigan Stephen M. Ross Business School. Available: <http://www.wdi.umich.edu/files/Publications/WorkingPapers/wp214.pdf>. [Accessed December 9, 2009].
- Walsh, K; M., et al. 2001. "Evaluation of the Net Impact of Active Labour Market Programmes in Bulgaria." NEI Labour and Education, Summary. EB5213 DOL/AL. Bulgaria: Ministry of Labour and Social Policy.
- Wilson, Sandra and David H. Fretwell. 1999. "Public Service Employment: A Review of Programs in Selected OECD Countries and Transition Economies." *Social Protection Discussion Paper Series*, No. 9913. Washington, DC: World Bank. Available: [http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2000/03/21/000094946\\_00030205355769/Rendered/PDF/multi\\_page.pdf](http://www-wds.worldbank.org/servlet/WDSContentServer/WDSP/IB/2000/03/21/000094946_00030205355769/Rendered/PDF/multi_page.pdf). [Accessed December 9, 2009].
- Wilson, Sandra, and Arvil V. Adams. 1994. "Self-Employment for the Unemployed: Experience in OECD and Transitional Economies." World Bank Discussion Paper No. 263. Washington, DC: World Bank. Available: [http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2000/10/19/000009265\\_3970311124051/Rendered/PDF/multi\\_page.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2000/10/19/000009265_3970311124051/Rendered/PDF/multi_page.pdf). [Accessed December 9, 2009].
- Woltermann, Silke. 2003. "Job-Search Methods and Labor Market Transitions in a Segmented Economy: Some Empirical Evidence from Brazil." Discussion Paper Number 88. Germany: Georg-August-Universität Göttingen. Available: <http://129.3.20.41/eps/lab/papers/0310/0310001.pdf>. [Accessed December 9, 2009].
- World Bank. September 2008. "Active Labor Market Programs in FYR Macedonia: A Policy Note." Washington DC: World Bank. Human Development Sector Unit. Europe and Central Asia. Available: <http://siteresources.worldbank.org/MACEDONIAEXTN/Resources/MK.ALMP.doc>. [Accessed December 9, 2009].

Notice: The material provided may be protected by Copyright Law (Title 17 U.S. Code). Text may not be copied without express written permission from the copyright owner, except for the print or display by retrieval software used to access it. This text is intended solely for the use of the individual user.

**U.S. Agency for  
International Development**  
1300 Pennsylvania Avenue NW  
Washington, DC 20523  
Tel: 202-712-0000  
Fax: 202-216-3524  
[www.usaid.gov](http://www.usaid.gov)