What works?

A meta analysis of recent active labor market program evaluations

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Starting point

— *(Youth) Unemployment* one of the most challenging economic / social problems in developed and developing countries

— Exacerbated by the Great Recession and its aftermath

→ Policymakers struggle to find effective programs that help jobless find jobs and increase workers’ productivity and labor income

— *Job training* and other *active labor market programs (ALMPs)* have been promoted as a remedy for cyclical and structural unemployment
Starting point

Early **U.S.** experience: MDTA (1960s), CETA (1970s), JTPA (1980s-1990s)

**European** experience:
- Scandinavia 1970s forward, in particular Sweden
- Germany 1990s forward
- Denmark "flexicurity", UK "New Deal", etc
- 1994 OECD Jobs Study -> ALMP
- EU: “European Employment Strategy”
- 2006 OECD Restated Jobs Strategy -> Activation

**Latin America**: Job training, increasing since the mid-1980s
Some key policy questions

— What do we know about which type of “active” program works?
— Short run vs. long run effects?
— Do ALMPs work better for some groups? In some places or times?
Goals for this talk

1) A (very) basic framework for thinking about how programs actually work, how this relates to program effectiveness, heterogeneity, and displacement

2) Data collection, scope of the paper, descriptive findings

3) Empirical results

4) Some conclusions
1) A (very) basic framework
Types of active programs

i. **Job Search Assistance** -> job search efficiency

ii. **(Labor market) Training** -> human capital accumulation, “classic”

iii. **Private sector employment incentives** ->
    employer/worker behavior
    a) Wage subsidies, b) Self-employment assistance / start-up grants

iv. **Public sector employment** -> direct job creation

Specific target groups: Youths, disabled

Hybrid: Short-term working arrangements (STWA)
Basics

ALMPs are a complement (alternative?) to “passive” programs like Unemployment Insurance (UI) and welfare

Basic goals:
— Raise participants’ employment / earnings

Other possible goals:
— Increase job creation
— Improve matching supply + demand on the labor market
— Lower government cost
— Raise participant (social) welfare?

ALMPs increasingly cast into “activation” framework -> “rights and duties”
How do ALMPs work?

-> Job search assistance (JSA)

—Purpose: Raise search effort / efficiency of search + job match

—Components: Job search training, Counseling, Monitoring, + Sanctions

—Nudge procrastinators

Implications:

—Only a short run effect unless getting a job changes preferences or future employability (job ladder effect)

—Risk of displacement effect (esp. in low-demand market)

—May have important role in addressing information failures in rapidly changing environment
How do ALMPs work?
-> Training and Re-training

—Purpose: Raise human capital (HC)
—Attenuate skills mismatch
—Training components: 1) Classroom vocational / technical training, 2) work practice (on-the-job training), 3) Basic skills training (math, language), 4) life skills training (socio-affective, non-cognitive skills)

Implications:
—Training takes time -> negative effects in short-run
—But positive (and large?) long-run effect
—Negative effect if training obsolete / useless
—Limited displacement effect
How do ALMPs work?

-> Private sector employment incentives

— Purpose: improve job matching process; increase labor demand
— Limited human capital accumulation through work practice
— Culturization

Implications:
— Only a short run effect unless work changes preferences or future employability
— High risk of displacement effect
— May play an important role as a version of STWA in recession?
How do ALMPs work?

-> Public sector employment

— Purpose: Prevent human capital deterioration; increase labor demand (?)
— Safety net (of last resort)

Implications:
— Only a short run effect (on public employment) unless work changes preferences or future employability
— High risk of displacement effect
— Or: Type of jobs often not close to the labor market
# Alternative programs - summary

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<th>Training</th>
<th>Private sector incentives</th>
<th>Public employment</th>
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<td>Any time; expand in</td>
<td>Any time; expand in</td>
<td>Any time</td>
<td>Recession</td>
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2) Data collection, scope of the paper, descriptive findings
Systematizing the evidence


— CKW: surveyed members of IZA and NBER in 2007; asked respondents for papers and referrals; final sample of 97 studies

— Meta-analysis = Statistical tool to synthesize research findings across a sample of individual studies that all analyze the same or a similar question, in the same or a comparable way.
This paper

— Extend CKW (2010): searching for studies written since 2007
— Profiles of IZA research fellows interested in program evaluation
— NBER working papers
— Google scholar search of papers citing CKW(2010) or Kluve (2010)
— Specialized online project lists
— Backward/ forward citation search
— Studies coded by C, K, and W using standardized coding protocol
— Assemble sample of 207 studies providing 857 separate estimates
Variable extraction

— Program type
— Program participant characteristics
— Program duration
— Type of outcome variable, econometric methodology
— Program/participant subgroups: 526
— Post program time horizon:
  — short run: < 1 year after completion, 415 estimates
  — medium run: 1–2 years after completion, 301 estimates
  — long run: > 2 years after completion, 141 estimates
— Impact estimates: 857
— Labor market conditions at time of program operation: GDP growth, unemployment rate
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<th>Full sample (1)</th>
<th>Austria, Germany, Switzerland (2)</th>
<th>Nordic Countries (3)</th>
<th>U.S., U.K., Aust., N.Z., Canada (4)</th>
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Table 1: Description of Sample of Program Estimates

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<th>Full sample (1)</th>
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<th>U.S., U.K., Aust., N.Z., Canada (4)</th>
<th>Non-OECD (5)</th>
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Two measures of program impact

1. **Sign and significance** of program effect: for all estimates
   - Significantly positive
   - Insignificant
   - Significantly negative

2. **Effect size**: estimates evaluating effect on *probability of employment*
   57% of total sample

\[
\text{Effect size} = \frac{\text{effect on employment rate of treated}}{\text{sd employment rate of controls}}
\]
Program impacts

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<th>Full Sample</th>
<th>Sample with Effect Size</th>
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<tr>
<td></td>
<td>Percent</td>
<td>Percent</td>
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<td>Significant positive</td>
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<td>Insignificant</td>
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<td>Significant negative</td>
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<td><strong>Medium Term Estimates</strong></td>
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<td>Insignificant</td>
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<td>Significant negative</td>
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<td><strong>Long Term Estimates</strong></td>
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<tr>
<td>Significant positive</td>
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<td>65</td>
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<tr>
<td>Insignificant</td>
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<td>32</td>
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<tr>
<td>Significant negative</td>
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Figure 2a: Short Term Effect Sizes and Confidence Intervals

Note: 3 large positive estimated effect sizes not shown.
Figure 2b: Medium Term Effect Sizes and Confidence Intervals
Figure 2c: Long Term Effect Sizes and Confidence Intervals
Descriptive overview of program impacts

— Mean short term effect size is 0.04 $\sigma$’s, at best marginally significant ($t=1.65$)
— Mean medium and long run effect sizes are 0.12 $\sigma$’s and 0.19 $\sigma$’s, respectively ($t>3$)
— In “forest plots” width of confidence intervals uncorrelated with magnitude of effect size -> no evidence that more positive effects less precise -> no specification search, or more small-scale studies (i.e. no “file-drawer” bias)
— Classification of sign and significance driven by variation in the magnitude of a particular effect size, not by variation in the std.errs.
Appendix Figure 2b: Histogram of Medium Term Effect Size Estimates

Number of Estimates

Effectsize: Midpoint of Interval (dashed line = 0)

-0.375 -0.275 -0.175 -0.075 0.025 0.125 0.225 0.325 0.425 0.525 0.625 0.725

- Significantly Negative
- Insignificant
- Significantly Positive
Appendix Figure 2c: Histogram of Longer Term Effect Size Estimates

- **Significantly Negative**
- **Insignificant**
- **Significantly Positive**

**Effectsize: Midpoint of Interval (dashed line = 0)**

**Number of Estimates**
3) Empirical results
## Change in effect size

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<th>ST to LT</th>
<th>MT to LT</th>
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<td><strong>All</strong></td>
<td>0.043</td>
<td>0.037</td>
<td>-0.012</td>
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<tr>
<td></td>
<td>(0.020)</td>
<td>(0.035)</td>
<td>(0.007)</td>
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<tr>
<td><strong>N</strong></td>
<td>105</td>
<td>43</td>
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### By Program Type

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<th>ST to LT</th>
<th>MT to LT</th>
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<td>Training</td>
<td>0.070</td>
<td>0.087</td>
<td>-0.010</td>
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<tr>
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<td>(0.035)</td>
<td>(0.011)</td>
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<td>-0.004</td>
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<td></td>
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<td>(0.003)</td>
<td>(0.006)</td>
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<td>-0.006</td>
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<td></td>
<td>(0.126)</td>
<td>(0.156)</td>
<td>(0.031)</td>
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<td>Public Sector Emp.</td>
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<td>-0.299</td>
<td>-0.039</td>
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<td></td>
<td>(0.070)</td>
<td>(0.299)</td>
<td>(0.039)</td>
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<td>(0.035)</td>
<td>(0.021)</td>
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### Regression models: OLS and Ordered

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Time profile by program type: sign/significance switches

average of switches: +1 neg/insign or insign/pos, 0 unchanged, -1 reverse

- **Training**: ST/MF: 0.45, ST/LF: 0.4
- **JSA**: ST/MF: 0.3, ST/LF: 0.2
- **Private sector incentive**: ST/MF: 0.1, ST/LF: 0.1
- **Public employment**: ST/MF: 0.1, ST/LF: 0.2
Regression models continued

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<td>(0.076)</td>
<td>(0.181)</td>
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</tbody>
</table>
Long-run impacts: youths

% significant positive impact estimates

- Pooled age
- Youths
- Non-youths
Regression models continued

<table>
<thead>
<tr>
<th></th>
<th>Effect Size</th>
<th>Sign/Significance</th>
</tr>
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<tbody>
<tr>
<td>Program Duration</td>
<td></td>
<td></td>
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<tr>
<td>Longer than 9 Months</td>
<td>-0.056</td>
<td>-0.135</td>
</tr>
<tr>
<td></td>
<td>(0.042)</td>
<td>(0.179)</td>
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<tr>
<td>Experiment</td>
<td>-0.031</td>
<td>-0.065</td>
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<tr>
<td></td>
<td>(0.049)</td>
<td>(0.170)</td>
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<tr>
<td>Square Root of Sample Size</td>
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<td>0.159</td>
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<tr>
<td></td>
<td>(0.086)</td>
<td>(0.184)</td>
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<td>Published Article</td>
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<td>-0.203</td>
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<td></td>
<td>(0.043)</td>
<td>(0.133)</td>
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<tr>
<td>Citations Rank Index</td>
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<td>0.007</td>
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<td>(0.004)</td>
<td>(0.012)</td>
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# Effect size models

<table>
<thead>
<tr>
<th>Variable</th>
<th>All Countries</th>
<th>Den, Fr, Ger, US</th>
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<tr>
<td>Medium Term</td>
<td>0.057</td>
<td>0.078</td>
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<tr>
<td></td>
<td>(0.022)</td>
<td>(0.020)</td>
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<tr>
<td>Long Term</td>
<td>0.084</td>
<td>0.073</td>
</tr>
<tr>
<td></td>
<td>(0.040)</td>
<td>(0.040)</td>
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<tr>
<td>GDP Growth Rate (%)</td>
<td>-0.022</td>
<td>-0.070</td>
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<tr>
<td></td>
<td>(0.013)</td>
<td>(0.019)</td>
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<tr>
<td>Unemp. Rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
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</tr>
<tr>
<td>Country Dummies</td>
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<td>Yes</td>
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</table>
3b) LAC meta analysis sample - project with ILO research department
LAC sample overview

— Number of studies: 44 (i.e. plus 26)

— Coded from additional sources: Systematic reviews, Spanish language studies, IDB evaluation hub, ILO portfolio of policies (65 identified)

— N=152 impact estimates

— Number of short term estimates: 91

— Number of medium term estimates: 61
Countries in LAC sample

- Argentina
- Bolivia
- Brazil
- Chile
- Colombia
- Dominican Republic
- El Salvador
- Mexico
- Nicaragua
- Panama
- Peru
- Uruguay

[Graph showing countries in LAC sample with blue and red bars for short-run and medium-run respectively.]
<table>
<thead>
<tr>
<th></th>
<th># estimates</th>
<th>per cent</th>
<th># estimates</th>
<th>per cent</th>
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<tr>
<td></td>
<td>short-run</td>
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<td>medium-run</td>
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<tr>
<td><strong>Program intake group</strong></td>
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<tr>
<td>Registered UI</td>
<td>12</td>
<td>13.19</td>
<td>2</td>
<td>3.28</td>
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<td>Disadvantaged</td>
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<td>86.81</td>
<td>59</td>
<td>96.72</td>
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<td>LTU</td>
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<tr>
<td><strong>Type of program</strong></td>
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<td>Training</td>
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<td>83.52</td>
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<td>81.97</td>
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<td>Job Search Assistance</td>
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<td>4</td>
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<td>Private sector incentive</td>
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<td>8.79</td>
<td>3</td>
<td>4.92</td>
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<tr>
<td>Public sector employment</td>
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<td>4</td>
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<tr>
<td><strong>Program duration</strong></td>
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<td></td>
<td></td>
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<tr>
<td>Unknown or mixed</td>
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<td>21.98</td>
<td>9</td>
<td>14.75</td>
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<td>4 months or less</td>
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<td>27.47</td>
<td>24</td>
<td>39.34</td>
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<td>5-9 months</td>
<td>46</td>
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<td>28</td>
<td>45.9</td>
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<tr>
<td>Over 9 months</td>
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<td>0</td>
<td>0</td>
<td>0</td>
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<tr>
<td><strong>Gender of program group</strong></td>
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<td></td>
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<tr>
<td>Pooled</td>
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<td>28.57</td>
<td>9</td>
<td>14.75</td>
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<tr>
<td>Male only</td>
<td>32</td>
<td>35.16</td>
<td>26</td>
<td>42.62</td>
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<tr>
<td>Female only</td>
<td>33</td>
<td>36.26</td>
<td>26</td>
<td>42.62</td>
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<tr>
<td><strong>Age of program group</strong></td>
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<tr>
<td>Pooled age</td>
<td>28</td>
<td>30.77</td>
<td>14</td>
<td>22.95</td>
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<tr>
<td>Youths</td>
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<td>60.44</td>
<td>45</td>
<td>73.77</td>
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<td>Older workers</td>
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<td>8.79</td>
<td>2</td>
<td>3.28</td>
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## LAC evaluation methods used

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<thead>
<tr>
<th>Methodology</th>
<th># estimates short-run</th>
<th>per cent</th>
<th># estimates medium-run</th>
<th>per cent</th>
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<tr>
<td><strong>Basic methodology</strong></td>
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<td>cross sectional</td>
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<td>26.37</td>
<td>18</td>
<td>29.51</td>
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<td>duration with comparison group</td>
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<td>experimental</td>
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<td>8.79</td>
<td>16</td>
<td>26.23</td>
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<tr>
<td>longitudinal with comparison group</td>
<td>57</td>
<td>62.64</td>
<td>27</td>
<td>44.26</td>
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<tr>
<td><strong>Dependent variable</strong></td>
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<td></td>
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<tr>
<td>Hazard off register</td>
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<td>Probability employed</td>
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<td>48.35</td>
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<tr>
<td>Earnings</td>
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<td>29</td>
<td>47.54</td>
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<tr>
<td><strong>Covariate adjustment method</strong></td>
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<tr>
<td>Regression</td>
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<td>34.07</td>
<td>32</td>
<td>52.46</td>
</tr>
<tr>
<td>Matching</td>
<td>60</td>
<td>65.93</td>
<td>29</td>
<td>47.54</td>
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</tbody>
</table>
# LAC summary of program impacts

<table>
<thead>
<tr>
<th></th>
<th>Significant negative</th>
<th>Insignificant</th>
<th>Significant positive</th>
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<tbody>
<tr>
<td><strong>Short-term (N=91)</strong></td>
<td>5</td>
<td>36</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>5.49</td>
<td>39.56</td>
<td>54.95</td>
</tr>
<tr>
<td>**Medium-term (N=61)</td>
<td>2</td>
<td>32</td>
<td>27</td>
</tr>
<tr>
<td></td>
<td>3.28</td>
<td>52.46</td>
<td>44.26</td>
</tr>
</tbody>
</table>

Median effect size for estimates with P(Emp), short-term, N=23

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>-0.0229</td>
</tr>
<tr>
<td></td>
<td>0.2456</td>
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</tbody>
</table>
4) Some conclusions
Policy conclusions

— Time profile of impacts for “work first” programs different from “human capital” programs -> larger ST effects vs. small/no ST effects plus larger MT/LT effects

— Females and long term unemployed benefit more from participating, youths and older workers benefit less

— Potential gains from matching participants and program types: “work first” programs for disadvantaged participants, HC programs for LTU

— ALMPs have larger impacts in periods of slow growth and high unemployment
Methodological conclusions

— Impact measures: meta analytic models of effect sizes confirm sign/significance results
— Estimates based on RCTs do not differ from non-experimental ones
— No indication of publication bias; impact estimates also very similar between more and less cited papers
— Choice of outcome variable matters
Thank you.

jochen.kluve@hu-berlin.de