The effectiveness of labor market training:
Evidence from meta-analyses

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Key policy questions

— Broader perspective: What do we know about whether training programs are effective?

— Short run vs. long run effects? Does training work better for some groups? In some places or times?

— What can MENA countries learn?
Goals for this presentation

1) Basics: What are training programs and how do we think they work?
2) Lessons from the literature (mostly OECD)
3) Some implications
1) Basics
Training as an active labor market policy

Basic goals -> Raise participants’ employment / earnings

Other possible goals -> increase job creation; better match supply + demand on the labor market; raise participant (social) welfare; lower government cost

Target groups:
1. Low-skilled and unskilled workers
2. Skilled youths transiting from school to work
3. Skilled workers in transition between jobs
How does training work?

— Purpose: Raise human capital
— Attenuate skills mismatch
— Training components:

- Classroom vocational / technical training
- Work practice / on-the-job training
- Basic skills training (math, language)
- Life skills training (socio-affective, non-cognitive skills)
- Job insertion
How does training work?

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
2) Lessons from the literature
Impacts increase with time after the program

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

— Positive short-term impacts: 36% of studies (24% negative)
— Positive medium-term impacts: 51% of studies (2% negative)
— Positive long-term impacts: 57% of studies (0% negative)

Impacts for youths: OECD

— Youth training systematically less effective in OECD

Two main implications:
— Points to preventive intervention -> education policies earlier in the lifecycle
— The importance of labor market institutions: Entry barriers generated by restrictive regulations (EPL, minimum wages) hamper program effectiveness
Training and the business cycle

— Little evidence to date; studies indicate positive correlation between unemployment rate and training effectiveness
— Pool of unemployed during recession: relatively high-skilled; larger, allowing for better matches
— Implication: Expand training during recession -> large “lock-in” effects -> opportunity costs due to lost job search time smaller
More results

— In general: No differential effects for men and women

— Comprehensive training programs work

— Even for youths: Job Corps US, New Deal UK

— Knowledge gap: Optimal program design
  -> combination of training components?
  -> training duration?
Program design: Optimal length of training

Source: Kluve, Schneider, Uhlendorff, Zhao (2012)
3) Some implications
Key lessons to take into account

— Training programs should be demand-driven (“Jóvenes”). Incorporate private sector through work practice. Consider contracting-out training (Turkey).

— Comprehensive design comprising multiple components.

— Labor markets need to be “youth friendly” -> restrictive institutions hamper training effectiveness.

— The importance of human capital based interventions:
  
  -> Long-run impacts are positive and often large. Payoff period for the returns to skills investments is longest for youth. Limited displacement.
  
  -> Early intervention -> educational systems
Key lessons to take into account

— Do effective youth programs need to be expensive? OECD: yes. Middle-low income countries: No.

— However: expectations need to be realistic.

— Systematic data collection and evaluation efforts are key to move towards evidence-based policy making. When budgets are tight, piloting programs makes sense.
Thank you.

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