

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

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

- 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

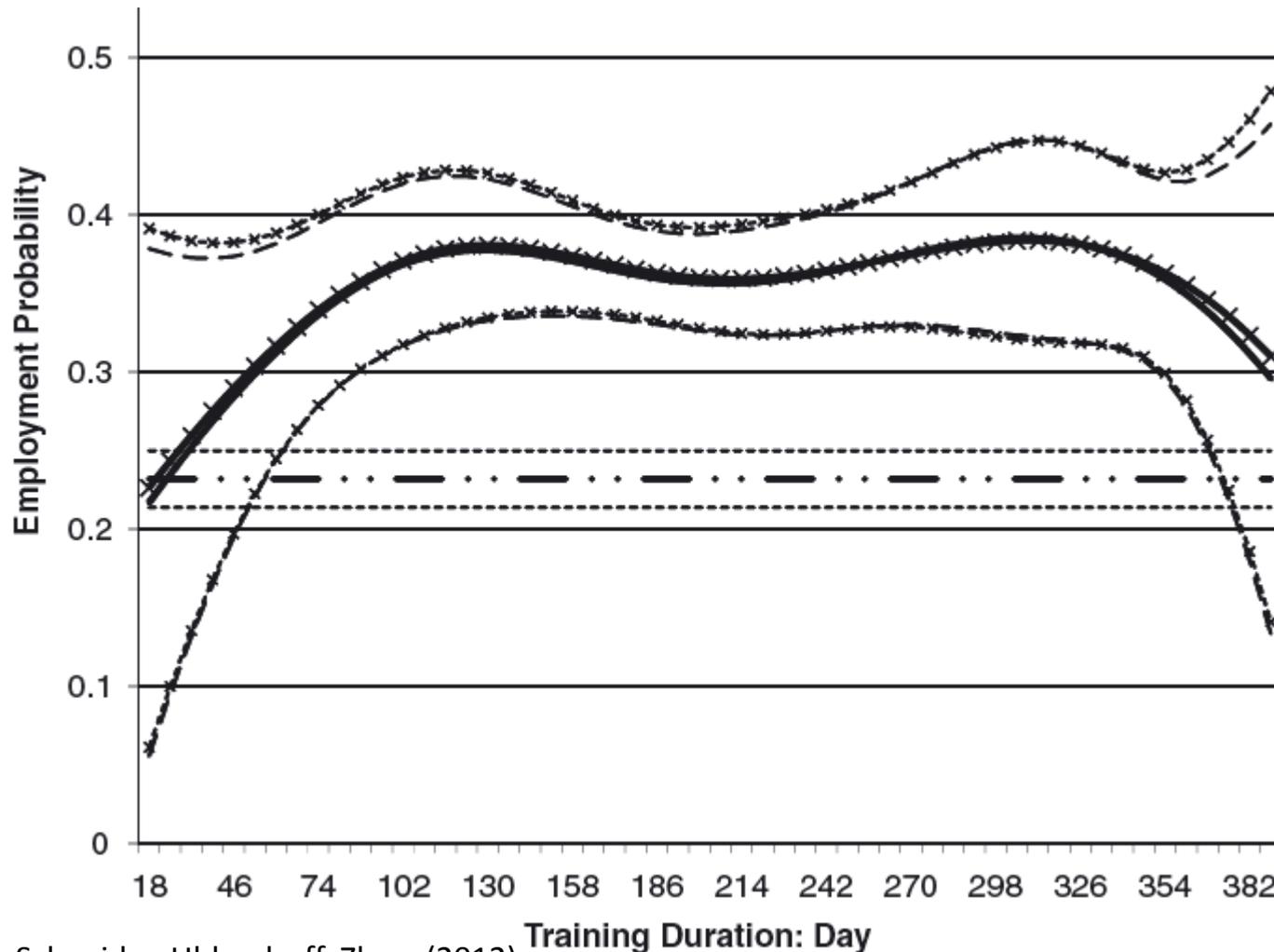
More results

- 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



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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