Capacity Building workshop on Impact Evaluation of Employment Programs

Overview on Impact Evaluation

Maciej Jakubowski, Gdańsk, February 21, 2017
Introduction: Why, what, and how?
How do we know if labor market programs are effective?

- Overview of the recent international experience with Active Labor Market Programs (ALMPs)
  - Employment services (i.e., job search assistance)
  - Training and retraining
  - Job creation
    - Public works programs (PWPs)
    - Wage and employment subsidies
    - Self-employment assistance
- Objective = increase employment and incomes, through
  - Enhanced labor supply (e.g., training)
  - Increased labor demand (e.g., public works, subsidies)
  - Improved functioning of the labor market (e.g., employment services)
- Impact Evaluation tries to identify the impact of ALMPs on the subsequent employment and earnings of participants
  - Did the program decrease the number of months a jobseeker needed to find a job?
  - Did the program increase jobseekers’ wages?
Why should we care about evaluating programs?

• EU countries implement increasingly more ALMPs...
  • With economic reform, increasing liberalization of markets and growing concerns about the problems of unemployment, ALMPs have increasingly become an attractive option for policymakers
  • ... but budgets remain limited and efficient resource allocation is key
  • Need to examine the effectiveness of programs against their stated objectives
    • Need more than program: need programs that work
    • Learn which programs are successful and which are not
      • Scale up promising ones
      • Cut non-performing programs
    • Improve existing programs
    • Combined with Cost-Effectiveness (CE): find out which programs are most cost-effective and reduce costs to governments
Labor Market spending per unemployed is rather low in Poland, so efficient resource allocation is important.

Source: Eurostat 2012
Review of international evidence

- Very good meta-analyses on the impact of ALMPs
  - Most recently Card et al., 2010, 2015
  - Average impacts are close to 0 in the short-term, become larger after 2-3 years
  - Larger gains from programs with human and capital accumulation
  - Heterogeneous impact
    - Larger gains for female jobseekers
    - Larger gains for the long-term unemployed
  - Most likely to show positive impacts in times of recession

- Impact of ALMPs in Central and Eastern Europe (CEE)
  - Most promising programs: job brokerage and training and retraining schemes
  - Public works (very popular): nearly always a negative impact on labor market outcomes

- Meta-analysis on the impact of ALMPs on youth
  - Staneva et al., 2015
  - Mixed conclusions on the effectiveness of youth ALMP
    - Some studies finding evidence of positive effects
    - But other studies finding negative effects consistent with young people being a hard group to reach
  - Evaluations over the longer-term tend to produce more positive findings
  - Wage subsidy programs are more effective than training or public works
  - More favorable outcomes for females than for males
Review of international evidence (cont.)

• Programs of a same type are very heterogeneous
  • Both in the scope and intensity of services
    • For example job search programs can be just one meeting but can also be a 6 month long program with weekly meeting
    • Job search: counseling and/or monitoring
  • They also include a lot of conditions and steps
    • See for example employer subsidy voucher programs
      • Job seekers have to give potential employer a voucher who will then has to claim for the subsidy at a given place
    • See for example the Self Sufficiency Program in Canada
      • A 1 year phase requesting finding a job to qualify for the second phase giving participants have access to job subsidy
Review of international evidence (cont.)

• We have not been able to use all outcome variables that would make sense
  • Most of the time we have analyzed employment status
  • This is useful but it implies that we have not been able to learn about mechanism
  • Nor have we been able to learn about impacts on various types of earnings
• Besides this lack of meaningful variable results have been rather disappointing
  • Impacts are usually quite limited when not zero or negative
    • Job search programs seem to work quite well on employment but what about earnings and job quality?
    • Job subsidy usually has an impact while in the program but impacts quickly fade out
    • Training has been quite disappointing, especially when evaluated using RCTs
  • This is far below expectations of policy makers
• Surprisingly there are very few cost benefit analysis
• This would be however quite useful as, given results on employment, we are in a grey area
  • Are these program a good deal for jobseekers, governments, societies?
• Large demonstration projects in North America have been able to gather the data necessary for cost benefit analysis
  • Programs do not always pass the test
  • Especially from the Unemployment Insurance point of view: gains in UB do not always cover the cost of programs – especially costly programs like productivity enhancing programs
• To sum up : there is no clear evidence that there is a strong link with employment and we do not clearly know financial implications for individuals governments and society
• Need more than program: need programs that work
  • Good intentions and larger budgets don’t guarantee better outcomes
  • It’s not because you train young people that they automatically have better chances of finding a job after they graduate from the training
  • It’s not because you develop youth employment programs that youth unemployment decreases

Example of a program that does not have the expected positive impact on a jobseeker

• Suppose Jan is a jobseeker with a limited skills set. Jan is assessed by the placement officer from the PES agency. He is offered a carpenter training that lasts 3 months and he takes it, although he is not interested in carpentry. When the training ends, he is offered a job with a renovation firm, but after 2 months he is dismissed as he is lazy and not productive.
• Maybe, had he not been offered the training, Jan would have looked for internships on his own, and gotten a bakery apprenticeship, which is something Jan has always been interested in. After 2 months of apprenticeship, during which he is paid minimum wage, Jan is offered to continue working for the baker, and one year later he is still employed by him.
• What is the impact of the training program offered by the PES?
Why?

- Learn which programs are successful and which are not
- Scale up promising ones
- Cut non-performing programs

Example, USA
Job Training Partnership Program (JTPA)

- In 1986, USDOL initiated the National JTPA Study, a multi-year experimental evaluation of the effectiveness of programs funded by the Job Training Partnership Act
- Randomized experiment to estimate program impacts on earnings, employment and welfare receipt of individuals served by the program
  - A rigorous evaluation of this experiment indicated that the program had very different results for adults and for youth:
    - for adults, the program was successful in raising earnings by 7-11% and providing benefits of about $1.50 for every dollar invested
    - For youth, the program was not successful: no impact on earnings, and costs exceeded benefits to society.
- Following the release of the results in 1994, Congress cut the budget for the youth component of JTPA by more than $500 million (80%); the budget for the adult component was increased by 11%
Why?

• Refine program design
• Improve existing programs

Example, Poland
Public Works Programs

• In Poland in the mid 1990s, public works were considered a costly intervention with few program participants going on to get regular wage employment
• An impact evaluation found that a much higher rate of re-employment in non-subsidized jobs was achieved if public works were managed by private companies
• This led authorities to change the design of the program – regulations were altered to favor private companies running public works projects – leading, over time, to improved cost-effectiveness of the program
Why?

• Combined with Cost-Effectiveness (CE) analysis: find out which programs are most cost-effective
  • If I invest ZLT 100 in a training program, do I have a higher or lower impact on employability than if I invest ZLT 100 in a job search assistance program?

Britain’s New Deal for the Young Unemployed

• The program, introduced in 1998, helps young people (between 18 and 24 years) who have been unemployed and claiming jobseeker’s allowance for six months or more, to find work and to improve their longer-term employability
• Recent evaluations of the program show that young unemployed men are about 20% more likely per period to gain jobs as a result of the New Deal. Evaluations also show that the job search assistance element of the New Deal is more cost effective than the other ALMP options as there is no subsidy involved
Impact evaluation is often mixed up with:

- **Needs assessment**: prior to the project, what are the beneficiaries’ need?
  - Why do we want to implement a labor market program?
  - Who is the target population?
  - Why do we think this approach (public works program, re-training, job search help) will work in our context?

- **Process evaluation**: during the course of the project, how has the program been implemented?
  - Are the services being delivered through the Public Employment Services centers?
  - Are the jobseekers satisfied?
  - Are the ALMPs services reaching the target population?

- **Program assessment**: when the program is about to close, what are the differences between start and endline indicators?
  - How many people were trained by the program?
  - What is the employment rate of the participants 3 months after completing the training?

It measures how much the program impact beneficiaries:

- Do training programs increase jobseekers’ employability?
- Do ALMPs reduce long-term unemployment?
**What?**

**Inputs**
- People
- Money
- Supplies

**Activities**
- Training
- Job-search
- Matching
- Public Works Programs

**Outputs**
- Participants learn new skills
- Participants find adequate job-offers
- Employers find adequate jobseekers' profiles
- Vulnerable individuals have basic employment and income

**Outcomes**
- Participants find a job faster
- Participants find a better-paying job
- Employers find adequate jobseekers' profiles
- Vulnerable individuals have basic employment and income

**Long-term impact**
- Labor force is more skilled
- Lower unemployment rates
- More productive workforce
- Higher GDP growth
What?

• An impact evaluation of a labor market program
  • is a quantitative analysis
  • specifies one or more outcome variables of interest (for example earnings, employment)
  • estimates the difference a program makes to the levels of these outcome variables

Example

Get-to-Work program
Estimate the difference between the average earnings of participants, and the average earnings that participants would have earned had they not participated in the program.
The entire difficulty is to construct this counterfactual, or the situation of the participants had they not participated in the program.

If you don’t choose properly, you may compare apple with oranges.

These techniques are of two types:
- Experimental evaluations require selection of treatment and control groups prior to the intervention.
- In quasi-experimental studies, treatment and control groups are selected after the intervention. To compute program effectiveness, statistical techniques correct for differences in characteristics between the two groups.

Impact Evaluation Methods toolbox.
How?

Impact Evaluation Toolbox

- Randomized Control Trials (RCT)
- Difference-in-differences (DiD)
- Regression Discontinuity Design (RDD)
- Instrumental Variables
- Propensity Score Matching (PSM)

EXPERIMENTAL METHOD

QUASI-EXPERIMENTAL METHODS
Example we will be working with throughout the workshop: PROGRESA

- PROGRESA is a national anti-poverty program in Mexico
- Families receive cash transfers conditional on their children attending school
- Selection
  - Phase 1: poor villages were identified
  - Phase 2: villages were randomly selected to participate as of 1998 or start in 2000
  - Phase 3: households were selected on a poverty index (i.e. poor households only were selected)
Step 1: Selection of villages

Step 2: Randomization of villages

PHASE 1 (1998)

PHASE 2 (2000)

Step 3: Selection of beneficiaries in selected villages

PARTICIPATE 1998

NEVER PARTICIPATE

PARTICIPATE 2000

NEVER PARTICIPATE

VILLAGE POVERTY SCORE

VERY POOR

POOR VILLAGES

NON-POOR VILLAGES

NOT POOR

HOUSEHOLD INCOME

VERY POOR

NOT POOR

PARTICIPATE 1998

NEVER PARTICIPATE

PARTICIPATE 2000

NEVER PARTICIPATE

MEXICO