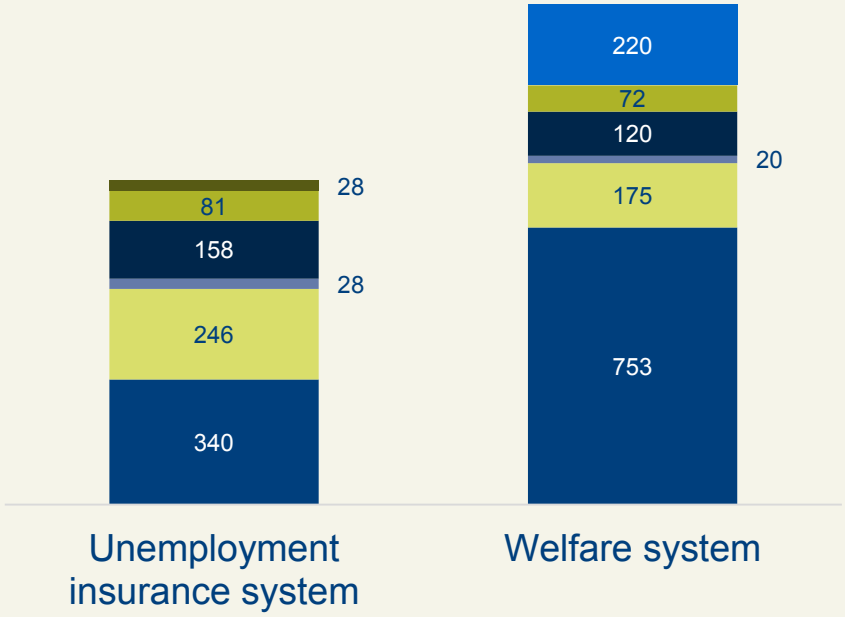
Institute for Employment Research
The Research Institute of the Federal Employment Agency
IAB

Evaluation of active labor market policies

How to govern the country better
Prague, April 11, 2018

Gesine Stephan

Entries into major labor market programs in Germany during the year 2016 (in 1,000)



- 1-Euro-Jobs
- Start-up subsides
- Wage subsidies
- Further training in professional skills
- Retraining
- Short firm-internal training
- Short training and placement services*

Of course also important:
Counseling and placement services

Source: Statistics of the German Public Employment Service.
*) By private provider; without coaching for self-employment, stabilization of employment, placement vouchers.

Effects have to be determined empirically

- Direct effects
  - Reduction of search costs, reduction of wage costs, investment in human capital, increases in productivity, direct job creation, test of availability
  - Lock-in effects, stigma effects, windfall gains
- Indirect effects
  - Substitution and crowding-out effects, deadweight loss
  - Wage setting effects
  - Fiscal effects

Major research questions

- How large is the treatment effect on the treated?
  - Field experiment with random assignment
  - Natural experiment with changes in eligibility for particular groups
  - Comparison of participants with statistical twins (statistical matching)
  - Exploiting the regional variation in program utilization
- How large is the program effect at the regional level (direct and indirect)?
- Why does a program work (or not)?

Requires proper comparison group

Findings of evaluation studies in a nutshell

- In average positive effects on participants
  - More caseworkers
  - Hiring subsidies, start-up subsidies or firm-related training,
    but: danger of deadweight and substitution effects
  - Further training and short classroom training,
    but: effects only in the longer run, and partly weak
- Positive effects for selected sub-groups
  - Contracting-out to private providers
  - 1-Euro-jobs

What do you need to conduct quantitative evaluation research?

- High quality register data
  - Times in employment, unemployment, job search, labor market programs
  - Individual, firm related, and regional information
- Survey data for additional questions
  - If possible, panel data
  - If possible, merge them with the register data

How do the register data look like?

Person identifier	Begin	End	Data source	State	Gender	Firm identifier
5008030	01-Jan-05	31 Dec 06	Welfare receipt	Needy person	Male	
5008030	01-Jan-05	30-Jun-05	Job search	Unemployed	Male	
5008030	01-Jul-06	31-Dec-06	Job search	Not unemployed	Male	
5008030	01-Jul-06	31-Dez-06	Program	Further training	Male	
5008030	01-Jan-07	15-Mar-07	Employment	Regular employed	Male	38440406

Example 1: Further training in elderly care

Dauth, Christine; Lang, Julia (2017):
Should the unemployed care for the elderly?
The effect of subsidized occupational and further training in elderly care,
IAB Discussion Paper 13/2017

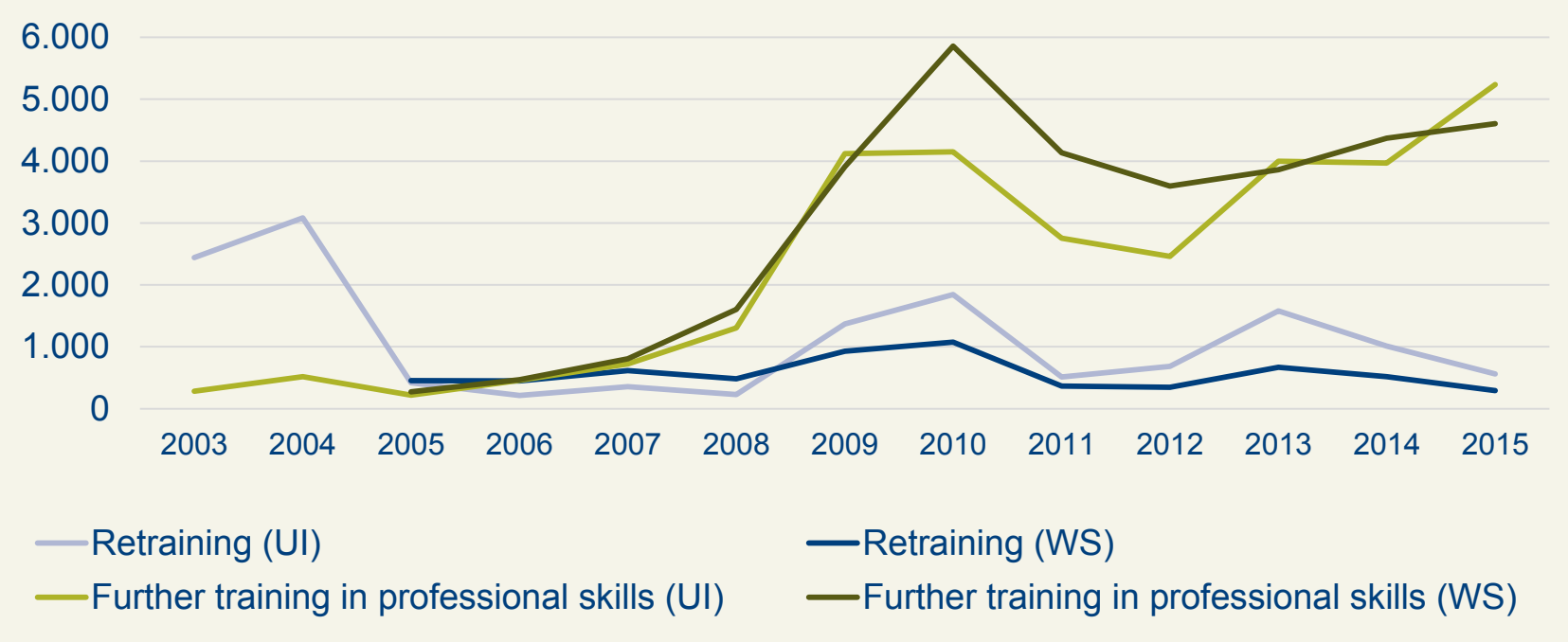
Background

- Elderly care
  - Increasing demand
  - Tough working conditions and low wages, high turnover
  - 2016: 37 unemployed nurses for the elderly per 100 posted vacancies
- Should unemployed persons be trained in elderly care?
  - Retraining: Up to 3 years, vocational degree as qualified nurse for the elderly
  - Further training in professional skills: Several weeks to months, extends existing skills (general knowledge, occupation-specific skills, qualification of care helpers)

Data, sample and methods

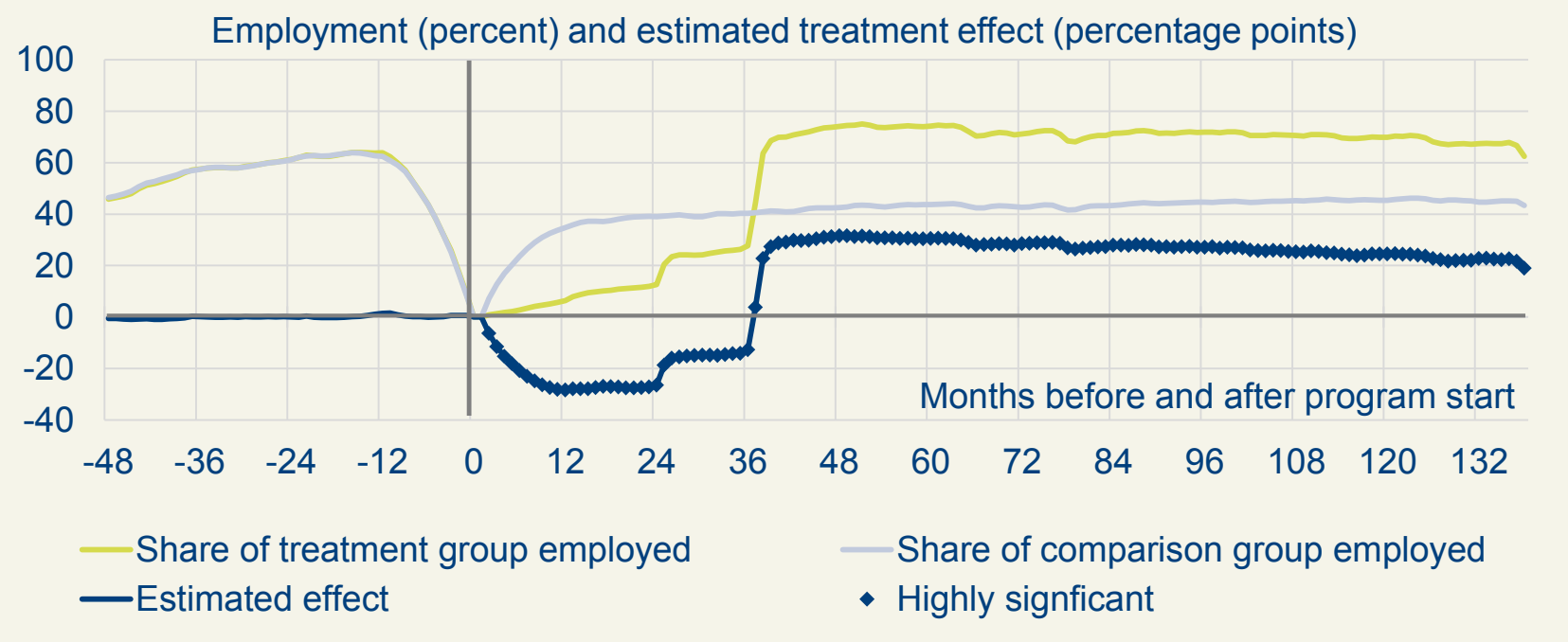
- Register data of the Federal Employment Agency (IEB)
- Sample: Unemployment entry between 1/2003 and 12/2015
- Treatment groups: Entry into subsidized elderly care training
- Control groups
  - No entry into training in elderly care until the moment of potential treatment
  - Choice of statistical twins, based on individual, firm related and labor market characteristics

Inflows into training in elderly care



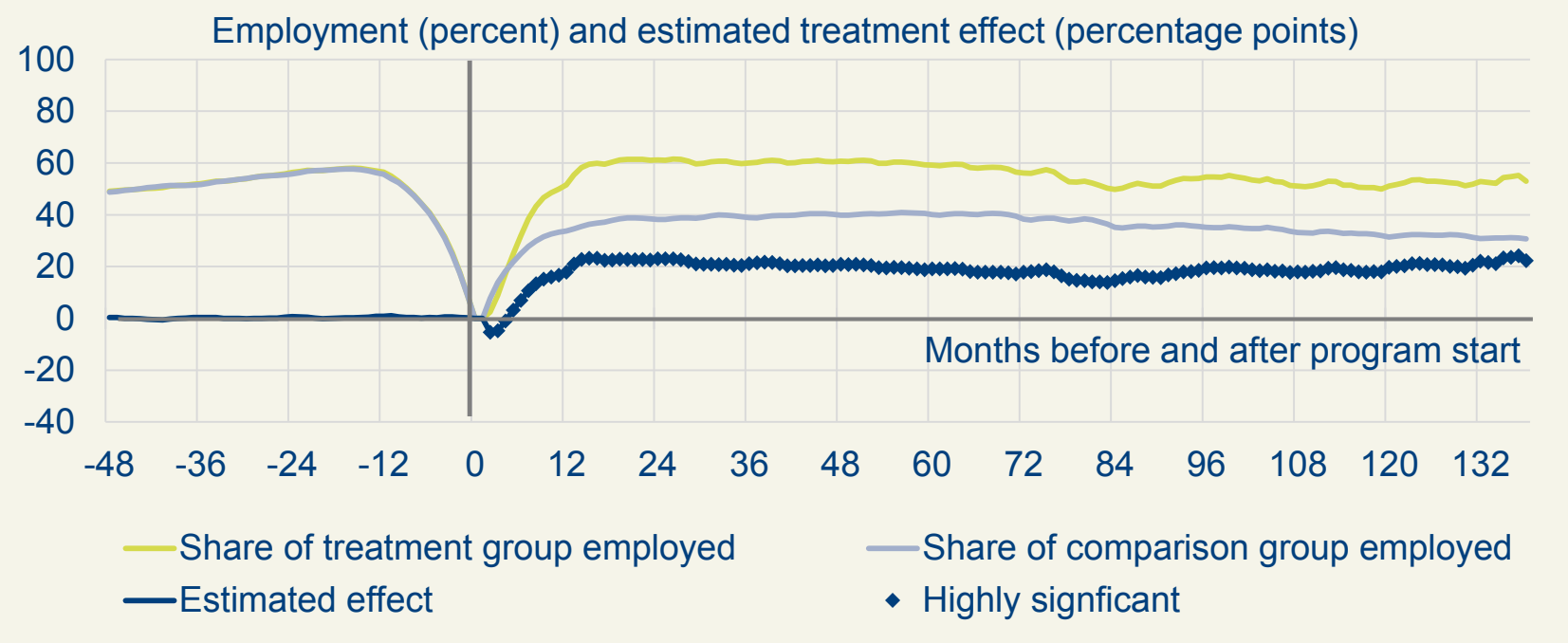
Source: Lang/Dauth (2017).
UI = Unemployment insurance system, WS = Welfare system.

Retraining in elderly care, unemployment insurance system



Source: Lang/Dauth (2017).

Further training in professional skills in elderly care



Source: Lang/Dauth (2017).

The effects of subsidized training in elderly care

- Employment effects on participants
  - Significant positive, larger in unemployment insurance system
  - High share due to part-time work
  - High share remains in care sector

  $\Rightarrow$ contributes to close the gap between demand and supply in elderly care

- Wage effects on participants
  - Significant positive effect of retraining
  - No effect of shorter training

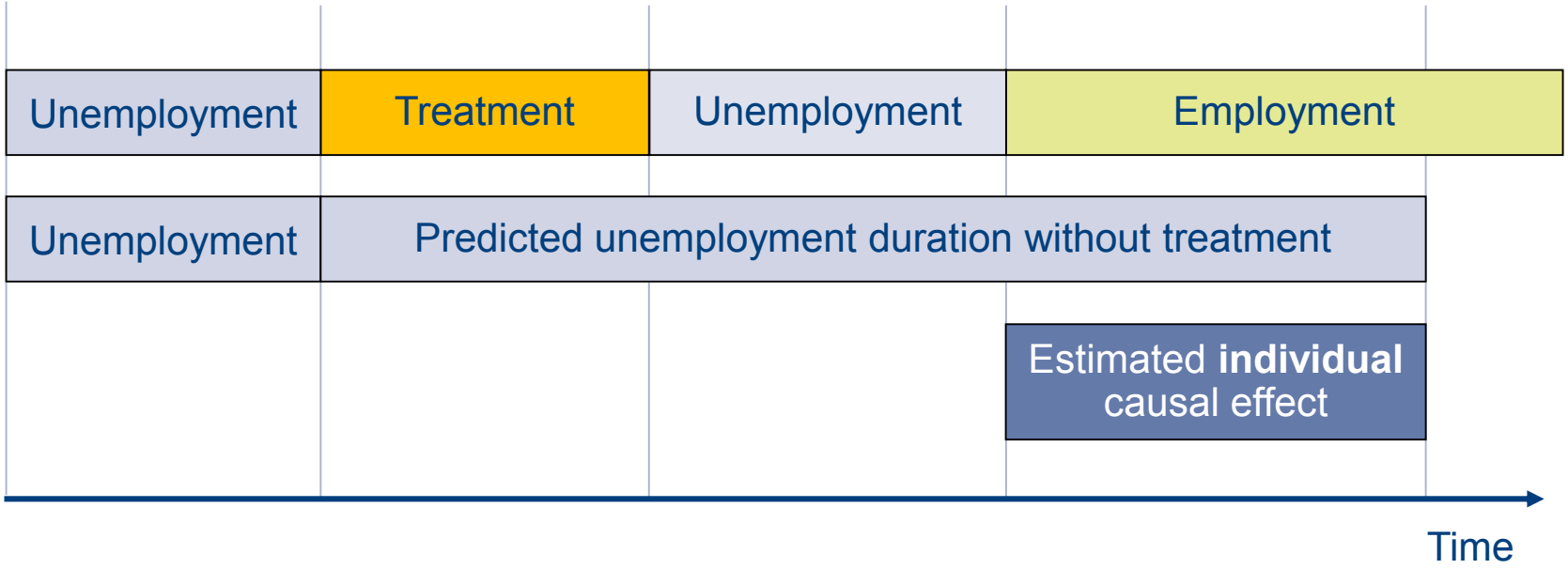
Example 2: Standardizing impact estimates

Büttner, Thomas; Schewe, Torben; Stephan, Gesine (2015):
The effectiveness of active labor market policy instruments in Germany,
IAB Brief Report 08/2015

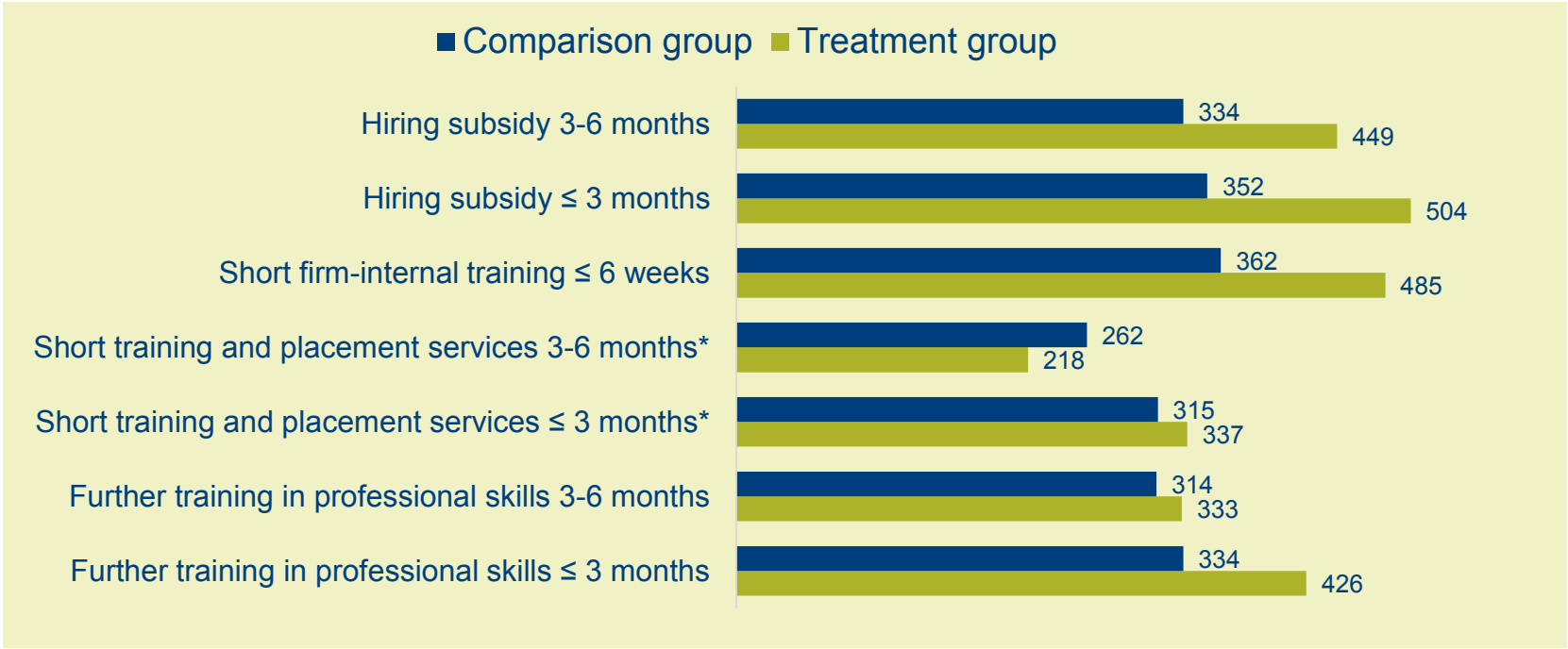
TrEffeR in a nutshell

- „Treatment Effects and Prediction“ (TrEffeR)
  - Developed for controlling purposes of the Federal Employment Agency (FEA), in cooperation of FEA headquarters, IAB, and Harvard University
  - Access to results through management dashboard of FEA
- Effect estimates for (nearly) the universe of program participants
  - Method: Statistical matching combined with regression adjustment
  - Outcomes: Accumulated day and shares in unemployment and employment
  - Outcome dimensions: Program, calendar time of program entry/exit, individual characteristics, local labor market agency/jobcenter, program provider

Estimated individual causal effects can be aggregated

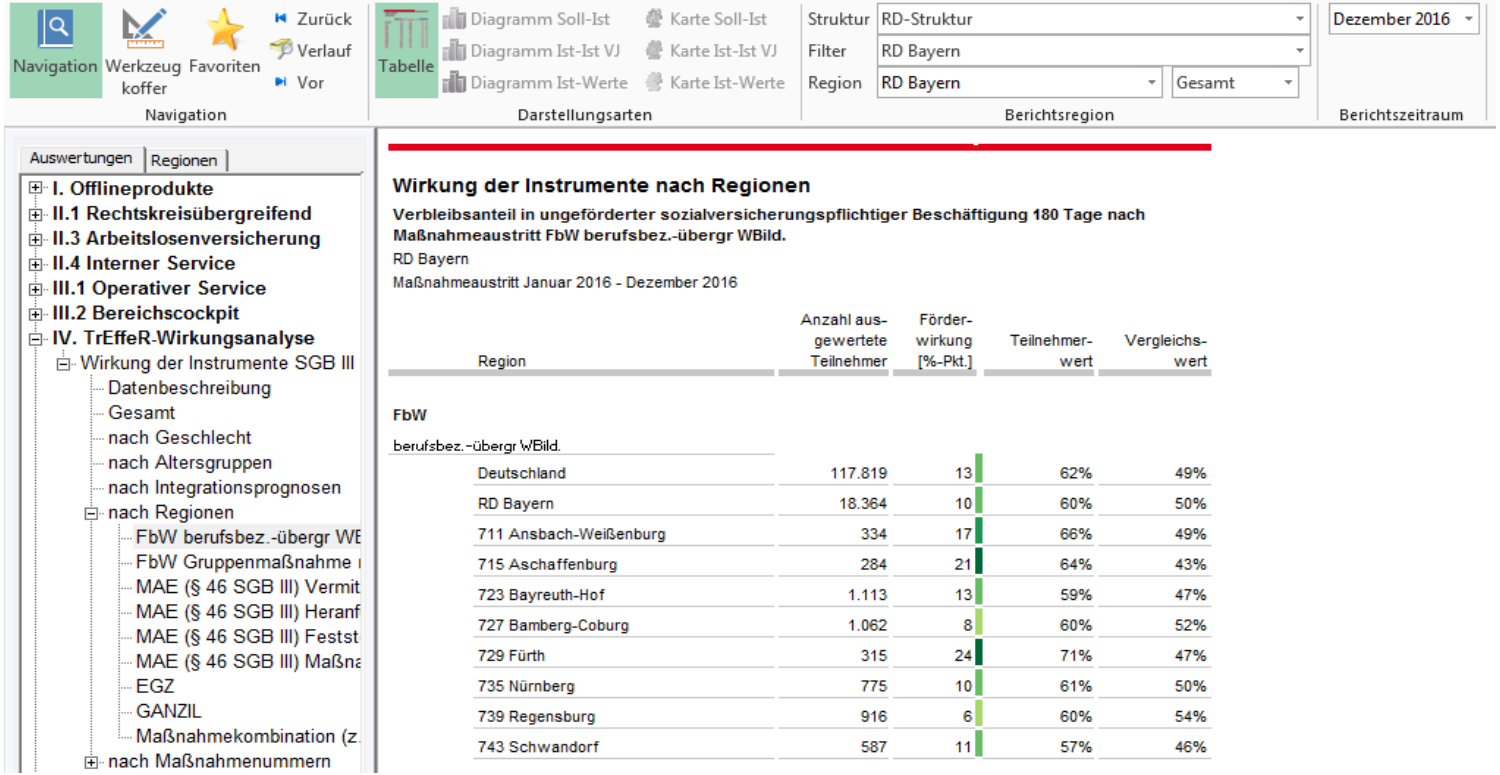


Some aggregated results: Days in employment during the 2 years after program entry in 2011



Source: Büttner/Schewe/Stephan (2015).
Differences between groups all significant at $\alpha = 0.05$.
*) By private provider; without coaching for self-employment, stabilization of employment, placement vouchers.

In the management dashboard, TrEffeR looks like this …



Wirkung der Instrumente nach Regionen

Verbleibsanteil in ungeförderter sozialversicherungspflichtiger Beschäftigung 180 Tage nach Maßnahmeaustritt FbW berufsbez.-übergr WBild.

RD Bayern

Maßnahmeaustritt Januar 2016 - Dezember 2016

Region	Anzahl ausgewertete Teilnehmer	Förderwirkung [%-Pkt.]	Teilnehmerwert	Vergleichswert
FbW				
berufsbez.-übergr WBild.				
Deutschland	117.819	13	62%	49%
RD Bayern	18.364	10	60%	50%
711 Ansbach-Weißenburg	334	17	66%	49%
715 Aschaffenburg	284	21	64%	43%
723 Bayreuth-Hof	1.113	13	59%	47%
727 Bamberg-Coburg	1.062	8	60%	52%
729 Fürth	315	24	71%	47%
735 Nürnberg	775	10	61%	50%
739 Regensburg	916	6	60%	54%
743 Schwandorf	587	11	57%	46%

Further use of TrEffeR: Rating of training providers in KURSNET

Anbieterbewertung

Der Bildungsanbieter hat berufliche Weiterbildungsmaßnahmen im Bereich **Berufe in Unternehmensführung und -or**
Die Bundesagentur für Arbeit (BA) führt Erfolgsbeobachtungen durch; mit folgenden Teilergebnissen:

Integration in Arbeit*

46 Punkte (77 Teilnehmende)
Erläuterungen

Teilnehmerrückmeldungen**

4,1 (12 Rückmeldungen)
Detaillierte Ergebnisse

*Diese Anbieterbewertung wird auf Basis der BA-Wirkungsanalyse ermittelt. Es wurden Maßnahmeteilnehmende berücksichtigt, die im Zeitraum von 12.
zur Ermittlung der Anbieterbewertung finden Sie hier.

**Diese Sternebewertung wird auf Basis einer Online-Befragung der Teilnehmenden ermittelt. Es wurden Rückmeldungen von Teilnehmenden berücksic
haben. Nähere Informationen zur Ermittlung der Sternebewertung finden Sie hier.

Net effect of the treatment, 6 months after program end, normalized to value between 0 and 100

Example 3: Placement services for the hard-to-place

Krug, Gerhard; Stephan, Gesine (2016):
Private and public placement services for hard-to-place unemployed,
ILR Review 69, 471-500

Stephan, Gesine (2016):
Public or private job placement services - are private ones more effective?
IZA World of Labor 285

Contracting-out employment services

- Placement services
  - OECD countries until late 1990s: Monopoly of public employment services (PES)
  - European commission 1998: Urged members to open market to private providers
- Contracting out services
  - Idea: State agency specifies tasks and purchases services, several private providers compete for contracts
  - Potential gains: Efficiency, flexibility, incentives to innovate
  - Potential problems: Number of potential providers, specific investments, contract design and monitoring, cream-skimming and parking

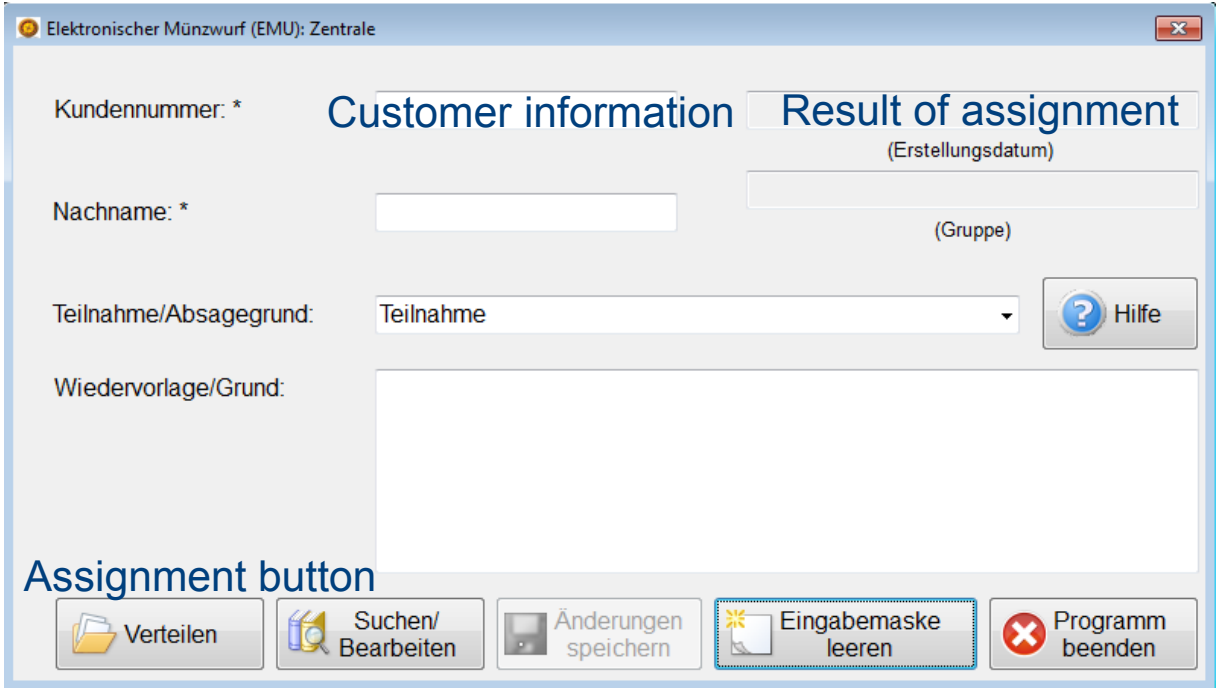
Who should take care of hard-to-place workers?

- The field experiment
  - One East German and one West German labor market agency
  - Unemployment entries of hard-to-place individuals during 3/2009 to 12/2010
  - Random assignment of individuals into two groups, receiving
    a) intensive in-house services or b) intensive services at a private provider
- Intensive inhouse services
  - Specialized in-house team of caseworkers, discretion in time allocation and choice of services
  - Low caseloads (aimed at 1:40), fixed budget for activation and qualification

The contract design for private providers

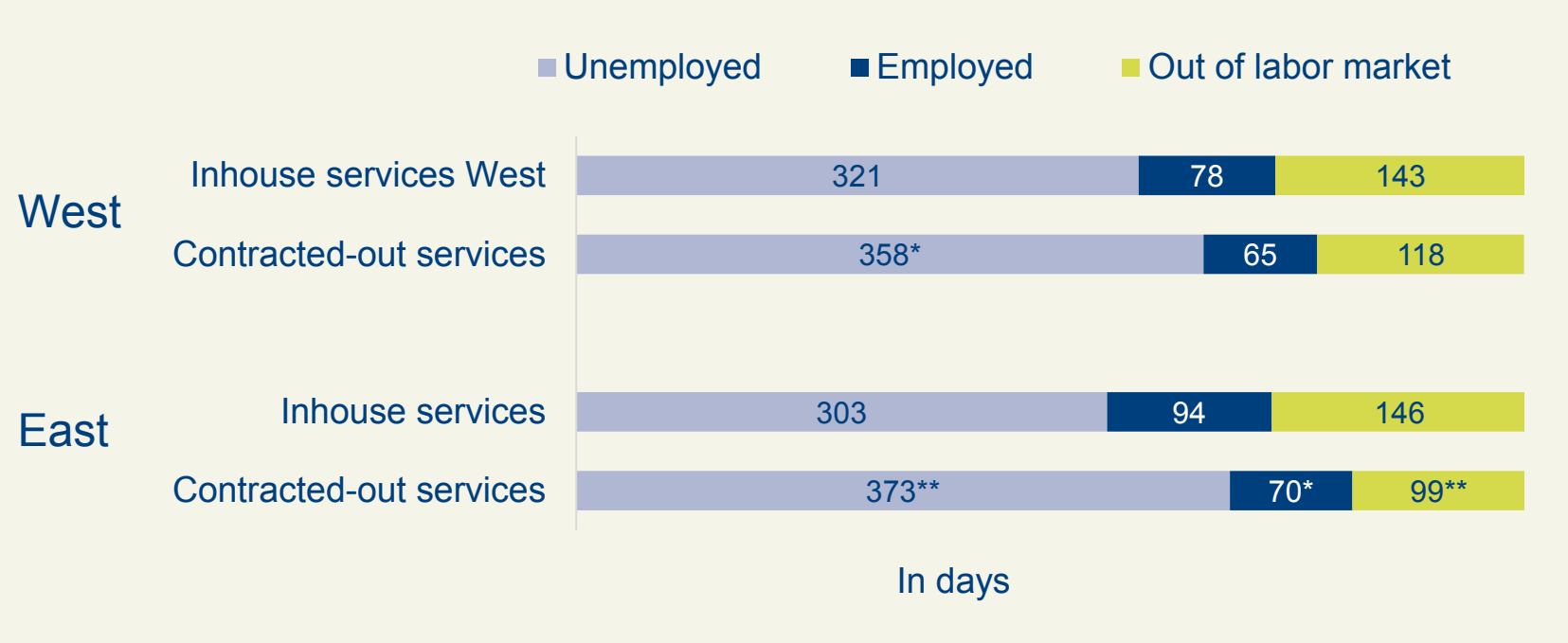
- Pay components
  - Fixed pay component (covers also commuting costs of assigned unemployed)
  - Two performance pay components (in regular job for 3 or for 6 months)
  - Risk component (not employed, but out of unemployment for 4 months)
  - Negotiated re-employment rate and related malus-component
- Not possible to reject an assignment (= no cream-skimming)
- Contract duration of two years, treatment duration of 8 months
- Free choice of treatment, but minimum contact frequency (every 2 weeks)

Random assignment by means of an electronic tool



Merged with register data on assigned individuals

What happened during the 18 months after assignment?



Source: Krug/Stephan (2016).
Difference to inhouse services: **) α = 0.01, *) α = 0.05.
N = 826 for East German agency, 534 for West German agency.

Example 4: A wage support program

Berg, Gerard J. van den; Homrighausen, Pia; Stephan, Gesine (2017):
Targeted wage support for older unemployed workers,
LASER discussion papers 100

Germany, April 2015

	Stock of unemployed	Exits into work	Exit rate into work
Age 25-54	1,906,000	172,000	0.09
Age ≥55	547,000	22,000	0.04

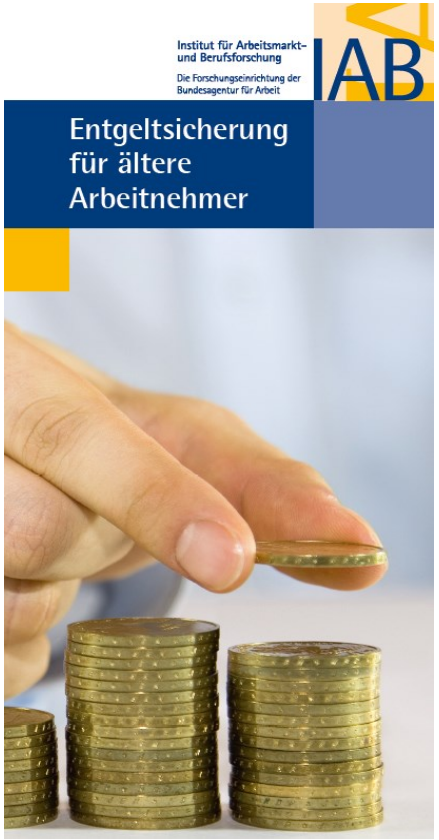
Source: Statistics of the Federal Employment Agency, Arbeitsmarkt in Zahlen, September 2015

The wage support program

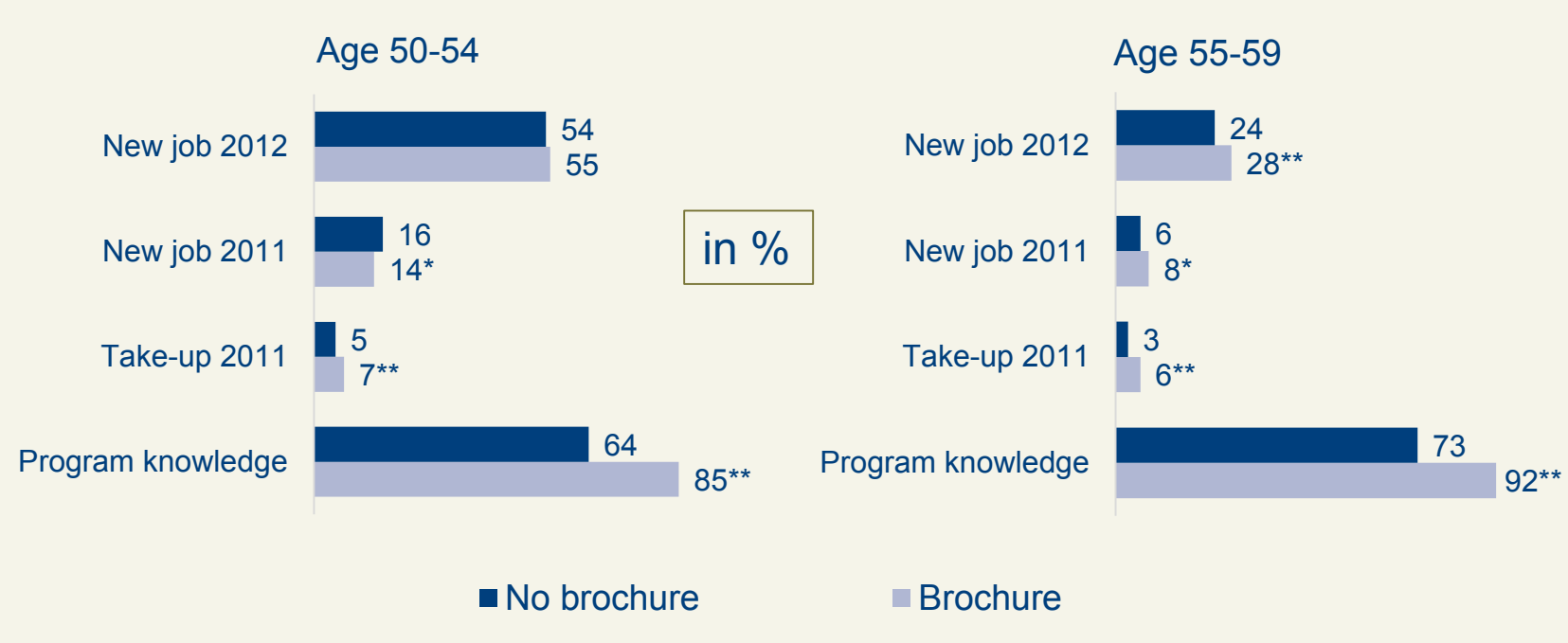
- Main entitlement conditions
  - Age ≥50
  - At least 120 days remaining unemployment benefit entitlement
  - Net monthly wage: At least 50 € lower than in last job
- Support by the Federal Employment Agency (FEA)
  - First year: Half of wage difference
  - Second year: Third of wage difference
  - All payments hours-adjusted
- Introduced in 2003, abolished at the end of 2011

The information treatment

- Attractive program
- But: few entries (less than 2,000 per month)
- Our approach
  - 2,600 randomly chosen eligible persons received brochure (9/2011); 20,000 control persons received no brochure
  - Register and survey data
  - Effects on program take-up, employment status, earnings
  - Identify deadweight losses



Information treatment increased knowledge and take-up



Source: van den Berg/Homrighausen/Stephan (2017). Difference to control group: **) α = 0.01, *) α = 0.05.
N = 1536 for program knowledge, N = 21970 for other outcomes.
Predicted outcomes for non-displaced workers from weak East German labor market.

Conclusions and recommendations

Evaluation is work in progress

- Active labor market policies in Germany
  - Knowledge on effectiveness has increased considerably during the last 15 years
  - However, due to labor market changes/reforms, evaluation is an on-going task
- Some general recommendations
  - Develop high quality register data bases and make them available for research
  - Establish on-going dialogue between politicians, administration, and research
  - Test new instruments before introducing them (preferably by field experiments)
  - Jointly develop labor market policies and the adequate evaluation approach