

Active labor market programs and the cycle

Jochen Kluge

Paper prepared for the joint OECD / University of Maryland conference
on “Labor activation in times of high unemployment”

This draft: 11 November 2011

–preliminary–

–do not quote–

Abstract.

This paper presents an initial analysis of the relation between ALMP effectiveness and the business cycle across OECD countries. The analysis is based on a data set combining 187 particular program evaluations with indicators for the business cycle and labor market institutions. The results indicate that there seems to be no significant correlation between program impacts and the unemployment rate. Medium-term impacts may be slightly negatively correlated with GDP growth. Labor market institutions such as employment protection legislation and the replacement rate seem to play no role in determining ALMP effectiveness. Instead, the program type matters: Job Search Assistance programs tend to bring about significant short-term impacts, while longer-term impacts are significantly more likely brought about by training programs and private sector incentive schemes. Youth programs consistently show negative effects.

Jochen Kluge

Humboldt-Universität zu Berlin and RWI

School of Business and Economics

Spandauer Str. 1

10178 Berlin, Germany

jochen.kluge@hu-berlin.de