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Lessons from the Evaluation of Labor Market Policies

by

Costas Meghir

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Abstract

In this paper, I discuss results from the evaluation of labour market programmes in Sweden and Colombia. The former is used as an illustration of a comprehensive approach to providing services for the unemployed including job search assistance, training and subsidized job placement that has inspired the use of such interventions worldwide. Training seems to have no positive effect on employment or wages and job placement has only modest positive effects over and above the simple job search assistance. However, the Colombian programmes seem to hold some promise that well targeted training programmes combined with job placement can improve outcomes for a population that is considered trainable in the context of a middle income country with a large skill deficit. This leaves the question open of what can be done for those too unskilled even to be trained effectively as adults. We have no direct answer to this. However, we show that workfare holds some promise both in terms of being able to target the poorest and in terms of improving their standard of living with effects that are possibly sustainable beyond the participation in the programme.

Keywords: Labour market, program evaluation

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† University College London and Institute for Fiscal Studies

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1. Introduction

Governments around the world often view it as their obligation to both to enable smooth transitions from unemployment back to work for those who lost their job and to help the poor and long term unemployed with income support and human capital accumulation. The target group is typically low educated and low skill unemployed or low paid workers. The policy arsenal includes job search assistance, training, subsidised jobs, combinations of these as well as workfare which acts both as self targeted income support and as job placement for the lowest skill individuals.

The justification for such policies is not always clearly spelt out. One key idea is that individuals are liquidity constrained and as a result they cannot obtain the training required to increase their productivity sufficiently to make it worth their while to work. One may think that firms may be willing to provide such training, recouping the costs of this investment by paying trained workers less than their post-training productivity. However, this will not work in general because the worker who has been trained cannot commit to stay at the firm with a wage below his productivity. She is likely to leave and the firm will not recoup the cost of training. If during training the worker produced positive output, enough to cover the cost of training, the firm could recover the costs by paying a low or even zero wage. However, labour market regulation often prevents firms from doing this;\(^2\) In this case labour market programmes attempt to correct a distortion generated by other regulation. Moreover, even if regulations do not prevent low pay during training, the worker may still need to somehow raise funds for living expenses, which may not always be possible. Thus, training programmes, subsidised by the government are supposed to fill-in for these

\(^2\) Such regulation may be in the form of a minimum wage policy or in terms of restrictions imposed by unions.
market failures. Such programmes include everything from vocational courses to simple instruction on how to behave in the workplace, good time-keeping etc.

An alternative to government sponsored classroom training are subsidised job placements where the worker is offered a job with the wage partly or wholly paid by the government. Such placements frequently include a classroom element. Thus the distinction between training and subsidised job placements becomes vague and their justification is again liquidity constraints, as above. A further justification for such placements is that they allow employers to screen workers revealing those who are actually work-ready from those who are not. In a labour market where unions are prevalent or there are strict firing regulations employers may be unwilling to hire workers for screening purposes even if otherwise they would be willing to do so at the cost of paying them (temporarily) the normal going wage; a job subsidy programme, where workers are taken on at a lower cost for the employer and under the explicit understanding that this is a temporary placement, the effects of tight labour market regulation is effectively undone. Training and job-subsidy programmes have been used extensively in Europe, the US and in some developing countries.

Another aspect of active labour market programmes is that of helping provide information to job seekers. This job search assistance includes help in locating vacancies as well as some basic training on how one should present oneself in an interview. Often the idea is to use such job search assistance to try and get as many people back into work and then to offer the more intensive treatment options to those hard to place individuals. When evaluated the search assistance programmes often
have small but positive effects; \(^3\) they also act as a monitoring system reducing unemployment insurance fraud. These programmes are typically cheaper to run and thus even small returns make them cost effective and worth having.

As we will argue job placement and training programmes are most effective for individuals with a reasonable level of skills to start off with. They typically fail to improve the skills of those adults who have very low levels of skill. This raises the issue as to whether we can devise programmes to support the income of the poorest individuals, while keeping them in work. Countries such as the US and the UK use tax credits for this purpose;\(^4\) however these are not suitable for countries with a large informal sector. In this case workfare has often been proposed as a solution. Workfare refers to offering unemployed workers low pay for participation in government sponsored public work projects; so as to target the right individuals the pay offered is lower than the minimum wage in the formal sector and usually quite low even relative to the informal one. The idea here is to create a self-targeting system in environments where monitoring of individual activities is very difficult. Potentially workfare offers both safety net income support but also may offer work experience and on-the-job training that could allow the worker to obtain a better and longer term job. Thus, while many view such programmes as little more than self-targeted income support, I am presenting an example of one such programme here because they can also be thought of as programmes that enhance job opportunities and improve job readiness.

\(^3\) See Blundell, Dias, Meghir and van Reenen (2003)

\(^4\) Tax-credits, act very much like negative tax rates: income is topped up by a proportional benefit with decreasing amounts of benefit as earnings increase, as in the US or the UK. In an unregulated and competitive labour market the entire benefit is obtained by the worker, while the firm only pays productivity. In non-competitive labour markets part of the benefit may be absorbed by the firm. In this paper we are not discussing these programmes.
In a sense they also act like subsidised jobs. The target group will typically be the lowest skill individuals.

More generally, labour market programmes may be potentially important in developing countries because of the relatively low levels of education. A large number of workers are not productive enough to work in the formal sector, which is frequently regulated and end up on the margins of the work force. Of course one reaction to this point would be to deregulate the formal sector so as to allow lower productivity individuals to be employed there. However, this is unlikely to be a policy option in many cases and moreover it may not be the answer to improving the skills of the workforce. In theory training programmes offer the promise of interventions that may be capable, if designed properly, to improve the employability of low skill workers, allowing them to obtain better jobs. In practice we will see that training combined with job placement can be effective. Of course the long run answer will be a combination of earlier interventions in the educational system, improving the basic levels of skill as well as deregulation of the labour market, thus allowing firms to hire low productivity workers and train them. Early intervention policies targeted to children take a long time to show effects; in the mean time it can be very attractive if we can find an effective approach for those who are past the point of being able to benefit from early interventions.

This paper draws on work I have carried out with co-authors in this field; it is certainly not meant to be a survey of the existing literature on labour market programmes, but a summary and conclusions drawn from evaluation work I have been involved in. I will start by discussing the Swedish labour market programmes to
demonstrate the experience from possibly the most famous and well established of programmes. They have been designed to offer a comprehensive approach to reallocating workers who have been displaced and offering a complete suite of services, from job search assistance to education and job subsidies, tailored to the assessed need of the “client”. Such programmes are not directly relevant to developing countries because of the requirements of a well functioning formal sector; however, many of the conclusions drawn from studying these programmes seem to carry over to many other contexts. At the same time it seems appropriate to report on results of a programme that is an inspiration for similar institutions around the world. We show that the training aspects of the Swedish programmes have no positive effects on employment and wages. However, the subsidised jobs do seem to have small but positive effects. Following this, I then discuss results from evaluating two specific programmes that we were implemented in Colombia – a middle income country, whose experience may be more generally relevant to developing countries. One of these programmes is a training and job subsidy programme; it seems to combine many positive elements from the international experience of such programmes. The other is a workfare programme. Such programmes are particularly relevant for developing countries and are targeted to the poorer segments of the population. It is thus of particular interest to discuss the Colombian experience on this. Finally, given the results presented and the general reading of the literature I then draw some conclusions that are relevant to developing countries.

2. Programme Evaluation

The approach to discussing the issues will be to describe the programme and then to use evaluation results to see whether the programme was effective in achieving its
goals. So this is the right place to discuss why evaluation is important. Perhaps this is self evident, given that the whole point is to discuss what works and what does not. However, programme evaluation has only recently started to be considered important by governments and it is certainly not an integral part of the policy design.

Programme evaluation refers to the estimation of the causal impacts of a programme. These effects may well differ across individuals depending on their individual characteristics, some of which may not be observable. This in itself poses a number of conceptual problems, the main one of which is that there are many ways of characterising the impact of the programme. We may be interested in the average effect of the programme (for a random individual, the average treatment effect - ATE); or in the effect of the programme on those who actually went through it (Treatment on the Treated TTE); or perhaps on the effect of the programme for those who did not participate (Treatment on the non Treated NTE).\(^5\)

The evaluation problem arises from the fact that it is not possible to see an individual at once in the programme and not in it. Thus we cannot directly compare what actually happened to that person to what would have been the outcome in the counterfactual world. We can never know the impact on a particular individual. Furthermore, the allocation of individuals to a programme will typically be the result of choice by the person and/or the authority managing the programme – it certainly will not be random and it is likely to depend on unobserved characteristics that also affect the outcome. This means that comparing individuals who went through the programme and those who did not cannot in general provide a reliable estimate of the

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\(^5\) See Heckman, LaLonde and Smith for an excellent and detailed discussions of issues relating to evaluation
effects of the intervention because the groups will consist of different types of individuals who would have different outcomes anyway (different employment rates, wages etc.) However, under certain circumstances we can estimate average effects, such as the ATE or TT, mentioned above, either by designing random allocation to the programme or by exploiting some natural randomisation mechanism, often combined with an economic model. Sometimes we may be able to identify the entire distribution of effects.

There are two main complementary approaches to evaluation both of which are used in the results I will be discussing below: *ex-post* evaluation and *ex-Ante* evaluation.

*Ex-post* evaluation refers to the analysis of the effect of a programme that has been put in place, either as a pilot or even rolled out in the entire economy. The gold standard for here is randomisation of the treatment (programme) either across individuals or across groups of individuals, such as communities, schools etc. In this case we create two statistically identical groups of individuals – the treatment group, who receive the programme and the control group who do not. By construction if the experiment is designed well the only systematic difference between the two groups is receipt of the programme; hence the comparison between the two groups will estimate the average effect of the programme for the selected population.

In the absence of randomisation the econometric toolkit has a number of approaches, which may or may not be credible depending on the circumstances. These include difference in differences, where the *change* in the relevant outcome for the treatment
group is compared to the change in some suitably defined comparison group. This is the difference in differences approach.\(^6\)

The matching approach assumes that composition differences between those who are affected by the programme and those are a function of observable variables. The credibility of the approach will depend on the particular circumstances and on the set of available observables.\(^7\) For example, in the case of active labour market programmes it is important to have detailed labour market histories as these tend to reveal a lot about relevant individual abilities. Direct ability measures can also be very useful Nevertheless, matching results are always controversial.

\textit{Ex-post} evaluation typically focuses on short term outcomes and does not consider the longer term side effects of a programme. For example, a systematic job subsidy programme may discourage the marginal individual from investing in education because the low wage outcome is no longer as bad. Moreover, the simple randomisation approaches fail to provide a framework for considering scaling up of the programme or even reforming some of its parameters. It is thus worth while considering combining the simple evaluation methods with an economic model, which, at the cost of a few (reasonable) assumptions provides a way of reforming the programme, considering longer term side-effects and scaling it up. However, such models require more structure and often require the experimental data to be combined with data from other sources. Nevertheless if we are to learn in a systematic way from experimental pilots we need to combine them in a coherent theoretical framework\(^8\)

\(^6\) See Ashenfelter (1978) and Heckman and Robb (1985)
\(^7\) See Rosenbaum and Rubin (1983), Heckman, Ichimura and Todd (1997)
\(^8\) See Todd and Wolpin (2003) and Attanasio, Meghir and Santiago (2007)
This brings us to *ex-ante* evaluation which refers to the use of observational data (existing surveys or panel data for example) together with a model of individual behaviour; the evaluation then consists in identifying what aspect of the economic environment the intervention will change and how this maps into the variables in the model. Changing these variables will then allow one to simulate the effects of a programme. An example of this approach, which was clearly articulated by [...] is the evaluation of the effects of a tax on labour supply: we model the sensitivity of labour supply to hourly wages. Recognising that the tax change will change the hourly wage rate we then use the model to quantify the expected change in hours, given the magnitude of the tax change. Such an approach requires an economic model and usually relies on assumptions that are not beyond dispute. However, it is wrong to think that these approaches are mutually exclusive. As we pointed out before there is a lot to be gained by combining economic models with the results and data from experimental evaluation.

3. The Swedish active labour market programmes

The Swedish labour market programmes provide a comprehensive system of support for the unemployed. They are combined with a generous contributory unemployment insurance system with replacement rates up to 70% of the last wage, which in the past have reached 90%. Those not covered have access to income support. Individuals who exit work are entitled to the programme. This consists of job search assistance and of possible placement into a programme. There are many programmes available and we categorise them broadly as job placement with a subsidised wage or training programmes; the latter relate mainly to vocational training. Up until the year 2000 participation in a programme for six months would make one eligible for
renewal of unemployment insurance, which otherwise would expire after fourteen months. This created perverse incentives, whereby individuals would participate in some programme just so as to keep the generous support. This link has now been broken.

Before the 1990s Sweden had spectacularly low unemployment. Some attributed this to the comprehensive programmes. However, following the macroeconomic shock of 1992 unemployment persisted and the programmes seemed to be incapable to reallocate workers. This highlighted the need to evaluate the programmes.

A major difficulty for the evaluation arises from the fact that in time all those remaining unemployed become treated. This causes an interesting evaluation problem because there is no one in the “never treated” category – only those who are currently treated versus those not yet in a programme can be compared. Sianesi (2002a, 2002b) provides a comprehensive evaluation of these programmes based on matching. Her results point to an overall zero or negative effect of the overall programme on unemployment, even after a number of years. However, when she looks into more detail, she finds that job subsidy programmes do display some success. The negative effects can occur because individuals are distracted from job search by the programme, adding to unemployment duration; if the programme does not overcompensate for that, those who participate may end up worse off!

The dynamics tradeoffs of participating in a programme and the resulting unemployment and employment durations are nevertheless highly complex and it is possible that a simple matching approach may not reveal effects. Moreover it is also
important to consider the effects of the programmes on wages: if wages increase at the expense of some extra time out of work, this could be a strong justification for the programme. In Adda, Dias, Meghir and Sianesi (2007) we model jointly the dynamics of programme participation, employment and unemployment as well as wages earned when in work. Evaluation is achieved by comparing different regions over many time periods as economic conditions change. Thus on the margin there are different types of individual entering unemployment for reasons that is exogenous to their behaviour. The model allows for the incentive structure built into the programme such as the link between unemployment benefits and individual job and programme history. The key outcomes on which the programmes are judged are i) Unemployment duration; ii) Employment duration and iii) Wages/Earnings.

In figure 3 from Adda et al. we present some results based on matching (rather than our dynamic model. They show graphs of employment (right hand side panels) and unemployment (left hand side panels) durations. The flat bit relates to the duration of the programme itself. This illustrates clearly what we will confirm with the model: Training increases unemployment durations and also increase employment durations the two left hand side panels respectively) Job subsidies reduce unemployment durations, even allowing for the lock in effect and seem to increase employment durations much more substantially.
In the Table, also from the same paper we give summary longer run implications from
the model. The first two columns show the effect of the programmes on an average
unemployed individual. The second two columns show the effect of the programme
on the population of individuals who actually joined the programme. Perhaps the
latter are more informative because the programme has been targeted to these persons
and one would hope that it works for them. The employment effects are either
negative for training or practically zero for those who went through subsidised jobs.
Income is higher for those in the latter group, but training seems to have added little
to overall earnings. Indeed training seems to lead to more training (probably because
of the perverse incentives mentioned earlier and which were still in place) and to less
employment, with no change in income. If any positive effects are to be found they are found for subsidised jobs.

Source: Adda et al (2007)

Figure 9: Re-employment probabilities over time after treatment

Source: Adda et al (2007)

The graph illustrates clearly the comparison of the two programmes by showing the re-employment probabilities into regular employment from entry into the programme.
In time the trainees recover and have the same reemployment probabilities as the non-trainees! Those who went through a subsidised job do have better long run employment probabilities. Note that is the model is right the two programmes are comparable and the differences across individuals joining the respective set of programmes have been controlled for.

These results paint a bleak picture for the effectiveness of these expensive programmes and highlight how hard it may be to affect adult outcomes, even with such personalised interventions. Perhaps these programmes have other effects that we do not pick up with these evaluations and perhaps there is still some bias left even following careful modelling. However, these results are not at odds with many other results for industrialised countries as clearly illustrated in Heckman, LaLonde and Smith (1998). Nevertheless this pessimistic picture may not carry over in the same way to developing countries where the scope for training may be greater. There is not as much work in that context but we will now outline a study that does allow for some optimism in that direction.

4. Training and job experience in Colombia

The Colombian government piloted a programme whereby selected individuals could obtain training in a private training institution for three months and would then be placed in a firm for another three months. This programme was introduced to help young people obtain labour market skills. And was targeted to people aged 18-25 who were unemployed and whose family belonged to the lowest two deciles of the Income distribution. The cost of programme was US$ 700 per person.
There were two key elements that distinguish this programme. First, the training institutions were only paid on completion of the training and were allowed to select those who they were willing to train. As a result the population to be trained was from the start considered trainable. Second training, was in a vocation that the individual chose and was followed by work placement. In this way the group for whom the programme was most likely to work (among the target population) was picked out. Moreover, the job placement combines the virtues of work experience (also seen in our earlier results) with those of training.

This programme was evaluated by a randomised trial. The trial and the results are presented in Attanasio, Kugler and Meghir (2008). Here I give a brief outline of the design and the key results.

Once an eligible group of individuals was identified based on the employment and income criteria the training institutions were requested to identify a group they were willing to train. However, they were asked to form a group 50% larger than their available capacity. 118 training centres selected the Training courses provided vocational skills ranging from cosmetology to the use of computer automated systems. Importantly, training institutions were paid according to market prices and conditional on completion of training by the participants of the programme. On-the-job training was provided by legally registered companies, which provided an unpaid internship to the participants.

Following selection 2/3 of this population was selected randomly to receive training and 1/3 was excluded. Baseline data was collected for all individuals
before the programme started. Both groups were then followed up about a year and a half after the treatment group ended its training. Data on a number of outcomes was collected including employment, whether working in the formal sector and earnings for employment and self-employment. The experimental design proved highly successful with the characteristics of the two groups very well balanced, as one would expect following a successful randomisation.

The evaluation results imply important effects of the programme. These effects differ in substantive ways between men and women: Employment of women increased by a significant 5% relative to the control group. Male employment did not increase at all. However formal male employment increased by 5% demonstrating the point I made earlier that programmes in developing countries may be helpful in upgrading skills to allow people to work in better quality jobs. Female formal employment also increased by 3.5%. Male earnings increased by about 7% (probably as a result of a shot towards better jobs) and female earnings by about 17%.

Under reasonable assumptions about the persistence of these effects the internal rate of return is 18% for women and about 7% for men and hence above typical discount rates for both men and particularly women. So by all accounts this seems to have been a highly successful programme. It is hard to isolate any particular element of the programme that made it successful. Moreover it is clear that for

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9 Detailed results can be obtained from Attanasio, Kugler and Meghir (2007)

10 A similar programme was tested in Trinidad by Card et al (2007) and was not successful. However, there were a number of problems with the randomisation of the programme and the sample sizes were smaller resulting in results that could be biased and are certainly less precise than the ones obtained in Colombia.
further confidence such an experiment should be replicated in other countries. However, the combination of appropriate targeting, suitable incentives for the training institutions and job placement may turn out to be the key to success of such programmes.

There are certain points of caution. First, we have shown that the treatment group fares better than the controls. We would hope that this is because their productivity has been enhanced. However, it is possible that the certification is attractive to employers just as a signal and the trainees are hired in preference to others. This in itself does not prove they are more productive; these workers could be displacing other uncertified but equally productive workers. It could be possible that actual productivity does not go up. If it is just about labelling and not about enhanced productivity when the programme is rolled out in the economy it would have much smaller effects. Second, one needs to consider whether the increased supply of trainees, when the programme is scaled up changes the training premium. Finally, there is the issue of external validity in general and more specifically relating to the overall macroeconomic conditions: the programme was tested at a time when Colombia was recovering and labour market reform had been implemented. We cannot know how the programme would function at a different point in the business cycle. However, these points notwithstanding, the programme does seem to have been a success. We believe the key to the success of the programme is the pre-screening of potential trainees to identify those who are most trainable and the combination of training with job placement.
We emphasised that one key element of the programme was the fact trainees were preselected for trainability. The targeting of the programme is for individuals with some reasonable level of skills at the start. So the question is what can be achieved for lower ability individuals, such as those not selected for this programme. There may be some individuals among the poor unskilled for whom no amount of training can transform their labour market prospects. Designing a welfare system or a labour market policy that will support a basic standard of living for such people and at the same time will not distort incentives too much for the rest is an important challenge that needs to be addressed. Perhaps the workfare programmes that I will now describe may provide some answer to this.

5. Workfare

Workfare relates to policies where suitably targeted individuals are employed usually on public works for a small wage (below the market or minimum wage) or for payment in kind. The aim of such programmes is to support people who are otherwise unemployed and poor. Such programmes are particularly useful in contexts with a large informal sector, where it is hard to monitor who is working and who is not. This is, in other words, a form of self-targeted benefit, designed in such a way as not to be attractive to those already employed. But beyond the obvious insurance effects that such programmes offer to individuals they may well offer further benefits: first, like subsidised jobs they may offer useful work experience in a formal and structured work environment. This could in principle lead to long-term effects on wages and employment; second by getting unemployed individuals to work for the benefit they produce possibly useful
output such as road repairs, sewage etc. that could be important for the communities in which the programme operates. On the other hand, if the programme is not properly targeted it may well cause further distortions by attracting workers from other productive activities.

We are particularly interested in workfare because it may be the way to support those who are very hard to train as adults and who are not in a position to obtain anything but the most casual work. Indeed we argued that part of the reason the training programme in Colombia seemed to work so well was because the training institutions were allowed to select those to be trained and were incentivised based on training completion rates. So although the programme was successful it will not reach the lowest skill/ability individuals. For them workfare may be the answer, when compared to the possibility of remaining always on the fringes of the workforce.

A workfare type programme *Empleo en Acción* was piloted in Colombia.\(^\text{11}\) The programme offered work to low income individuals who were unemployed (at least officially) in public works programmes undertaken by private contractors.

There were two aspects to the programme. First communities had to apply for a project, which they had to design and co-fund 50%. The projects would be infrastructure projects. When the project was approved the contractor undertaking the project had to employ 40% of the workforce from the group that was eligible for the programme. A project would last about six months.

\(^{11}\) See Attanasio, Meghir and Vera (2006)
To evaluate the intervention it was decided to use the fact that the programmes were likely to be oversubscribed. Thus the participants were randomly selected from among those who applied to the project. The parameter that this approach estimates is the average effect for the treated, since those excluded also had decided to participate. IN the event the randomisation was possibly contaminated by individuals being replaced by non-selected ones who eventually did not turn up. We have thus followed the difference in differences method as well as a method that relies on knowing who was originally randomised into the programme.

Such an evaluation has multiple objects potentially. First and foremost we need to know if the programme was well targeted. This can be found out by checking whether the programme caused an increase in the amount of work as well as an increase income. If it did not increase work but only income it probably displaced other occupations. Second we need to know whether the programme has effects that are sustained beyond participation. This will be an indication that it actually has employment effects and does not act solely as a targeted income support system. Finally, it would be desirable to estimate whether the project itself has an impact on the local community. If it does then this reduces the cost of running such programmes because the funding by the government produces local benefits over and above the benefits to the individuals.

We found that the programme had a substantial effect on the hours worked among participants. Hours of work per week increased by 9 overall, by 14 for women and
by 12 for young people aged 18-24. Both these effects are highly statistically significant. Thus the programme did not just displace useful occupations – it did achieve its aim of attracting people who would otherwise not be working. Thus targeting seems to have worked. Income also increased substantially showing that participating in the programme increased resources. Indeed consumption increase by 9.1% as a result. This is a particularly important result because it corroborates the measurement and may indicate that households believe the programme will have longer term effects – otherwise they would have saved most of the income increase.

We collected further data six months following the end of the programme to see if any of these effects are sustained. The results turn out to be very interesting. Hours of work fall back to the pre-programme levels. However, both income and consumption (independently measured) increase: household consumption went up by 14%. This may imply that some people ended up obtaining much better jobs than before, compensating for the fact that some returned to inactivity. It would have been interesting to carry out longer term evaluations of such programmes and the persistence of the beneficial effects needs to be tested. However, these results do indicate that work experience in the context of poor developing countries, if designed and targeted appropriately, can have important effects.
6. Concluding remarks

We presented examples of labour market policies that are aimed at improving employment rates and wages for those who are displaced, are out of work for long periods of time or are very low paid. We showed evaluation results for the Swedish active labour market programme, one of the most prominent examples internationally. The results were disappointing showing little or no effect on employment and wages from training and some positive effects of subsidised job placements; these results are in line with many other such evaluations internationally.

We then considered some small scale pilots of two programmes in Colombia. The first one involved a combination of private sector training to a preselected group of individuals, followed by work placement. This programme was clearly effective in improving employment for women, earnings and the participation in the formal sector. The second was a workfare programme, which (by definition) involved work placement. Both these programmes seemed effective.

What lessons can we draw for developing countries? Obviously I need to be careful here because much more evidence is needed. However, the evidence suggests that properly targeted programmes, involving the private sector and involving work placement hold some promise for improving the standard of living of the low skill in developing countries. In Colombia it is important to note that trainees were pre-selected by training institutions that would be paid only when and if the trainee completed the course. Moreover, the successful participant could
choose their vocational course. Finally the programmes were not a gateway to further income support. All these factors help ensure that the programme reaches the right population where it has a reasonable probability of success. We also showed that workfare can be well targeted and can have some positive effects beyond the participation in the programme. Possibly the key lesson from the evidence is that such human capital programmes for adults can work when properly targeted to a receptive part of the population.

This of course leaves open the question of what can be achieved for those harder to reach individuals that cannot be easily trained. We argue that well targeted workfare programmes may be the answer in this case. Indeed we showed that in the Colombian case workfare did indeed increase the income, consumption and hours of work of the treatment group who received the programme. Moreover we showed that consumption was increased even six months following the end of the programme. This suggests that workfare programmes, as well as offering self-targeted income support, may also enhance skills in a sustainable way. We believe they offer promise for support for the most low skill and poor in the workforce who cannot be reached by more formal training programmes.
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