

# Rapid Response Brief



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Active labor market programs (ALMPs) are designed to help unemployed individuals gain employment. They often also aim to help individuals increase their earnings, increase the number of hours worked or help formalize work contracts. ALMPs aim to improve an individual's labor market outcomes by providing one or a combination of services, such as skills trainings, entrepreneurship promotion, placement services, or subsidized employment opportunities with public or private employers. The evidence in this brief is drawn primarily from a systematic review of 113 impact evaluation in 31 countries. The evaluations primarily cover programs in high-income countries; however, 48 studies cover programs in low- and middle-income countries. Most interventions focused on youth aged 15 to 35, who make up a large portion of the unemployed.

## What are the most effective programs to assist individuals in gaining employment?

### Key Findings

- On average, skills training and entrepreneurship promotion programs increased employment and earnings among youth in low- and middle-income countries.
- However, there was a high degree of inconsistency among these programs – not all yielded positive results.
- Subsidized employment programs did not increase earnings, although they did increase employment rates for youth in low- and middle-income countries.
- There is no evidence that employment services increase employment or earnings.
- Both employment and earnings outcomes improve more when programs target low-income individuals or individuals with low levels of education.
- There is not enough information on the costs of ALMPs to assess the cost-effectiveness of any type of intervention.

### Key Recommendations

- To increase employment and earnings, low- and middle-income countries should prioritize skills training and entrepreneurship promotion programs.
- Programs should specifically target low-income individuals, women and those with low levels of education.

## Background

Over the past 15 years, the Philippines has made steady and significant progress in reducing its unemployment rate. However, the economic shutdowns from the COVID-19 pandemic more than tripled the unemployment rate, which rose from approximately 5 percent in 2019 to 17.6 percent in April 2020, according to the Philippines Statistics Authority (PSA). While some progress was made in the subsequent months, the unemployment rate remained at high, at 10 percent in July 2020, according to the PSA. In general, unemployment is most acute among the youth, broadly defined as those between 15 and 35 years old. As of July 2019, almost 80 percent of unemployed individuals in the Philippines fell into this age range, according to the PSA.

The government of the Philippines has enacted several programs to assist individuals who are negatively affected by the COVID-19-related economic downturn. This includes the Anti-COVID19 Crisis Assistance Program (ACAP) for distribution of emergency food, cash and hygiene supplies; the COVID-19 Adjustment Measures Program (CAMP), which provided employees with a one-time financial assistance of ₱ 5,000; Tulong Panghanapbuhay sa Ating Disadvantaged/ Displaced Workers (TUPAD) for subsidized employment; and the Small Business Wage Subsidy program which provided assistance to employees of small businesses as per the prevailing minimum wage rates applicable for the region.

## Details of interventions

The ALMPs covered in the studies fall into four categories:

- **Training and skills development**, including programs that provide job-specific technical skills, vocational training, business skills, soft skills (such as behavioral or life skills), or numeracy and literacy skills. The review does not include vocational or trade schools – only trainings offered outside of a school context.
- **Entrepreneurship promotion**, including programs that connect potential or currently self-employed individuals to grants or loans, offer training on entrepreneur skills, or foster micro-franchise mechanisms.
- **Employment services**, including programs such as job counseling, job search assistance and mentoring services. These may also include job placements, financial assistance or technical assistance for jobseekers.
- **Subsidized employment**, including public employment programs that directly hire individuals to work on infrastructure, social, or community development projects or wage subsidies that reduce labor costs (usually by reducing employers' social security contributions or by covering some of the employee wages directly).

The 113 studies included in the systematic review were primarily conducted in high-income countries; however, 48 evaluate programs in low- and middle-income countries, primarily in Latin American and the Caribbean (22) and sub-Saharan Africa (15). None of the studies looked at programs in East Asia or South East Asia. Across low-, middle- and high-income countries, most studies focused on training and skills development. In low- and middle-income countries, there were not many studies on employment services; whereas in high-income countries literature is sparse on entrepreneurship promotion.

Most studies focused on youth unemployment, where youth is defined as 15 to 35 years old.

## Findings

In low- and middle-income countries, **entrepreneurship promotion and skills training programs (including vocational trainings) increased employment and earnings** among youth. There is some evidence they also increased the probability of individuals having a formal job (defined as a job with a written contract or with contributions to social protection schemes), although the evidence for this is not as conclusive.

**Subsidized employment did not increase earnings** – and may actually have decreased earnings, **although it did increase the employment rate for youth in low- and middle-income countries**. There is some evidence that subsidized employment may be more effective as a poverty-reduction or income smoothing mechanism during recessions.

There is not much data on employment services in low- and middle-income countries. However, **in high-income countries employment services did not increase employment or earnings**.

**Although all types of ALMPs had positive impacts on youth employment in low- and middle-income countries, there was a high degree of inconsistency across programs due to program design and profile of beneficiaries**. Comprehensive programs that provided multiple services (such as skills training *and* employment services or access to finance and business training) resulted in better outcomes. There is also some evidence that programs lasting more than four months achieved better outcomes than shorter programs.

Several studies also found that both employment and earnings outcomes were better when programs targeted low-income individuals or individuals with low levels of education.

ALMPs boosted women's employment, earning and job formality more than men's, some evidence suggests. These positive outcomes for women were found both in programs that targeted everyone, in which the gains were larger for women, and in programs that exclusively targeted women, which yielded bigger results than gender-mixed and men-only programs.

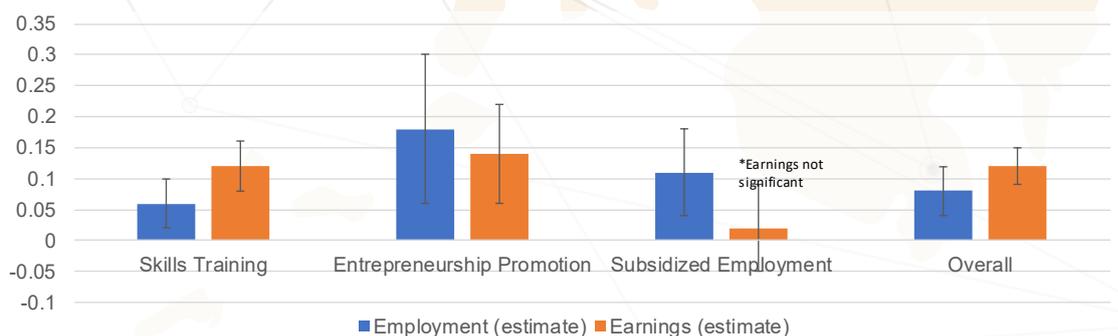
There is no evidence that the type of implementer (public, private or civil society) makes a difference in program outcomes in low- and middle-income countries.

There is **mixed evidence on whether the benefits of some ALMPs increase over time**. While some evidence suggests the benefits of ALMPs that invest in individuals' skills (such as skills training) result in continually increasing employment benefits over time, this evidence comes primarily from high-income countries. Studies from Latin America and the Caribbean do not find increased benefits related to employment, earnings or job formality over time.

There is evidence, primarily from high-income countries, that **ALMPs are more likely to show positive impacts during recessions**, particularly if the downturn is short-lived.

There is **insufficient information on the costs of ALMPs to assess the cost-effectiveness of any type of intervention** at present.

## Average effects of ALMPs on employment and earnings in low- and middle-income countries



## Recommendations

Low- and middle-income countries should prioritize skills training and entrepreneurship promotion programs, as evidence consistently shows that these programs have positive impacts on employment and earnings among youth. They may also increase the formality of employment in some economies. Conversely, subsidized employment or employment service programs do not appear to benefit youth as much, and therefore might not be the best fit if the primary objective is creating new employment.

The programs should target individuals with low incomes or low levels of education whenever possible, as studies consistently find these individuals benefit the most from ALMPs. Programs should target women – and possibly even prioritize women – as there is some evidence that women benefit more than men from ALMPs.

Finally, designing comprehensive programs that offer multiple services over a longer duration (greater than four months) is desirable.

## Evidence quality, strengths and limitations

Most the evidence for this brief comes from 3ie's systematic review of 113 studies on youth-focused ALMPs in 31 countries. Although the review covers both high-income countries and low- and middle-income countries, the data is analyzed separately to allow for differentiation. The studies were completed from 1990 to 2014.

Review limitations include the small number of studies on subsidized employment, entrepreneurship promotion and employment services. Specifically, the data suggesting that entrepreneurship promotion is the most effective method of increasing employment and earnings in low- and middle-income countries is based on a small sample and includes large confidence intervals – it should be interpreted with caution. The authors also note there may be publication bias, which means that studies with positive results were more likely to have been published.

Additional evidence is drawn from two meta-reviews of ALMP evaluations that are not focused exclusively on youth – one focusing primarily on the Organisation for Economic Co-operation and Development (OECD) countries and the other exclusively on countries in Latin America. As the former does not allow for differentiation across high-income or low- and middle-income countries, and the latter does not meet all of 3ie's quality criteria for meta-analyses, both are used to supplement the findings of the 3ie review.

## About the Philippines Evidence Program

3ie's country evidence program in the Philippines is a tripartite partnership between the National Economic and Development Authority (NEDA), the country's independent economic development and planning agency as mandated by the Philippine constitution; the Department of Foreign Affairs and Trade of the Government of Australia; and 3ie. This decade-long partnership started in 2014, and it aims to build interest in and capacity for evidence-informed decision-making in the Philippines. Priority sectors are identified by the government, with 3ie providing technical oversight on evaluations assessing major governmental reforms and service delivery programs.

### This rapid response brief is primarily based on the following systematic review

Kluve, J, Puerto, S, Robalino, D, Romero, J, Rother, F, Stoterau, J, Weidenkaff, F and Witte, M, 2017. *Interventions to improve the labour market outcomes of youth: a systematic review of trainings, entrepreneurship promotion, employment services, and subsidized employment interventions*, 3ie Systematic Review 37. London: International Initiative for Impact Evaluation (3ie).

More information, including a brief summary of the systematic review, is available here: <https://www.3ieimpact.org/evidence-hub/publications/systematic-reviews/interventions-improve-labour-market-outcomes-youth>

### Additional findings are based on the following papers:

Card, D, Kluve, J and Weber, A, 2018. What works? A meta analysis of recent active labor market program evaluations. *Journal of the European Economic Association*, (16)3, pp.894–931. Available at: <https://doi.org/10.1093/jeea/jvx028>

Escudero, V, Kluve, J, Mourelo, E and Pignatti, C, 2018. Active labour market programmes in Latin America and the Caribbean: evidence from a meta-analysis. *Journal of Development Studies*, (55)12, pp.1–18.



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