

Discussion "What active labor market policy works in a recession" by Peter Fredriksson

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SUMMARY:

- ▶ Many countries rely on active labor market programs (ALMPs).
- ▶ If ALMP included improvement in human capital, participation can be considered an investment decision.
- ▶ In the current (financial) crisis governments have reconsidered ALMPs.
- ▶ Mainly due to financial constraints use of ALMPs has been reduced (at individual level).
- ▶ Assessing how effectiveness of ALMPs changes over the business cycle is difficult.
- ▶ Usual evaluation problem stresses that treated and controls may differ.
- ▶ Additionally, populations of interest change over the business cycle.
- ▶ Ideally, four similar groups (by treatment status and business cycle status).
- ▶ Discussed and applied earlier in Hotz, Imbens and Mortimer (JoEctrics, 2005) and Lechner and Wunsch (JoLE 2009).

COMMENTS:

- ▶ Paper already mentions some limitation, e.g general equilibrium effects.
- ▶ Paper distinguishes between lock-in and post-program effect, but ignores threat effect (Wunsch, 2010).
- ▶ Paper would benefit from a more formal theoretical discussion.
- ▶ For public policy "treatment effect on the treated" is most relevant.
- ▶ Policymaker might therefore be less interested whether treatment effect changes over the business cycle due to
 1. direct effect of business cycle, and/or
 2. changes in composition of population.
- ▶ Paper deals with optimal assignment to program given program participation (relative efficiency).
- ▶ The empirical analyses rely heavily on "selection-on-observables".
- ▶ A very strong assumption, in particular because of the two dimensions, and therefore requires more justification.

LESSONS FOR THE NETHERLANDS:

- ▶ Extrapolation between institution settings requires some speculation.
- ▶ Dutch expenditures on ALMPs are as high as in Sweden (and Denmark).
- ▶ Swedish system differs from Dutch institutions:
 1. participation in ALMP extends benefits entitlement
 2. less strict in monitoring job search
 3. more focus on training/schooling, less on job search assistance.
- ▶ Relation between threat/lock-in/program effect might be different.
- ▶ General idea to focus on training/schooling rather than job search assistance (for the disadvantaged) in recessions seems plausible.
- ▶ More evidence would be extremely welcome!