

# 19-2 Active Labor Market Policies: Lessons from Other Countries for the United States

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## Abstract

US labor force participation has been weak in recent decades, especially during the recovery of the financial crisis of 2007–09. This paper examines several programs that governments in other advanced industrial countries have established to help jobless workers continue to seek employment, not drop out of the labor force, and ultimately find jobs. These programs more actively support out-of-work citizens by facilitating matches between workers and firms, helping workers in their job searches, and sometimes creating jobs when none are available in the private sector. The evidence presented in this paper concludes that job placement services, training, wage subsidies, and other labor adjustment policies can be used to successfully help workers find employment and remain tied to the labor market. By contrast, direct job creation through public works projects and other government programs are less effective in helping workers over the long run.

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**Keywords:** active labor market policies, placement services, training, wage insurance, education

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## 1. INTRODUCTION

The United States is hardly alone in struggling with some of the disruptions from the modern globalized economy that can lead to job loss and challenges to local communities. Virtually every advanced industrial country, especially those reliant on manufacturing, faces the challenge of finding or creating jobs for workers displaced by trade, technology, automation, shifts in consumer demands for goods being produced, and other factors. Because industrial activities tend to concentrate in certain places—autos and auto parts in Michigan, furniture in North Carolina, or steel in Pennsylvania—workers in towns that have specialized in industries where job growth is limited face special difficulties in looking for alternative employment opportunities both in the same job or location.

These problems are common to most members of the Organization for Economic Cooperation and Development (OECD), the club and think tank of the world's most advanced economies. But the United States is nearly in a class by itself among OECD members in its virtually passive approach to the widespread challenge of helping workers prepare for and find new jobs. While a relatively more flexible US labor market may reduce the need for extensive government intervention, some additional investment in US workers could help them become more productive and contribute to economic growth.

This Working Paper examines programs that governments in countries around the world have devised to help workers adjust to changes in the marketplace and find new job opportunities, with the expectation that lessons learned in other parts of the world can lead to adaptations in the United States.<sup>1</sup>

The evidence documented in this paper shows that many other countries deploy “active” labor market policies (ALMPs) that have been more effective than those in the United States. Programs in other countries under review have improved the possibilities of workers and firms matching up with each other's needs, and when these efforts have fallen short, governments have sometimes created jobs in the face of intractable local conditions. The research demonstrates that job placement services, training and education, wage subsidies, and other adjustment policies have been proven effective in helping workers find employment and stay in the job pool. Although public works programs and direct job creation have also been tried to address the problem,

these programs tend to be ineffective in helping workers over the long run.

Despite the obvious pain to individual workers who have lost jobs through no fault of their own, not to mention the losses to the American economy in general, the United States has limited its “active” labor market adjustment assistance. Instead, the US approach in recent decades has been to rely on what can fairly be labeled as “passive” labor market policies, such as unemployment insurance and increasingly disability insurance. These programs are passive because they provide economic relief without solving the problem of matching workers to jobs.

The one main exception in which the United States has attempted to employ active labor market policies is for job loss due to trade. Trade Adjustment Assistance (TAA) was introduced by President John F. Kennedy, who declared in 1962 that when tariff barriers are lowered to spur US economic growth and efficiency, “those injured by that [i.e., foreign] competition should not be required to bear the full brunt of the impact.” Rather, he said, “the burden of economic adjustment should be borne in part by the Federal Government.”

For all its good intentions, TAA has turned out to be the wrong way to help workers. Overall spending on the program has been too small to address job loss in a meaningful way. And because most job dislocation comes from factors other than trade, such as technological change or shifts in consumer demands, most displaced workers are not even eligible for assistance by such programs. As the Kennedy quote suggests, special programs for trade-related job loss were created to give policymakers political scope to make trade deals and get them approved by Congress. Such programs may have inadvertently promoted the notion that trade is the primary source of job loss and discouraged US policymakers from developing more comprehensive solutions to the job adjustment problem.

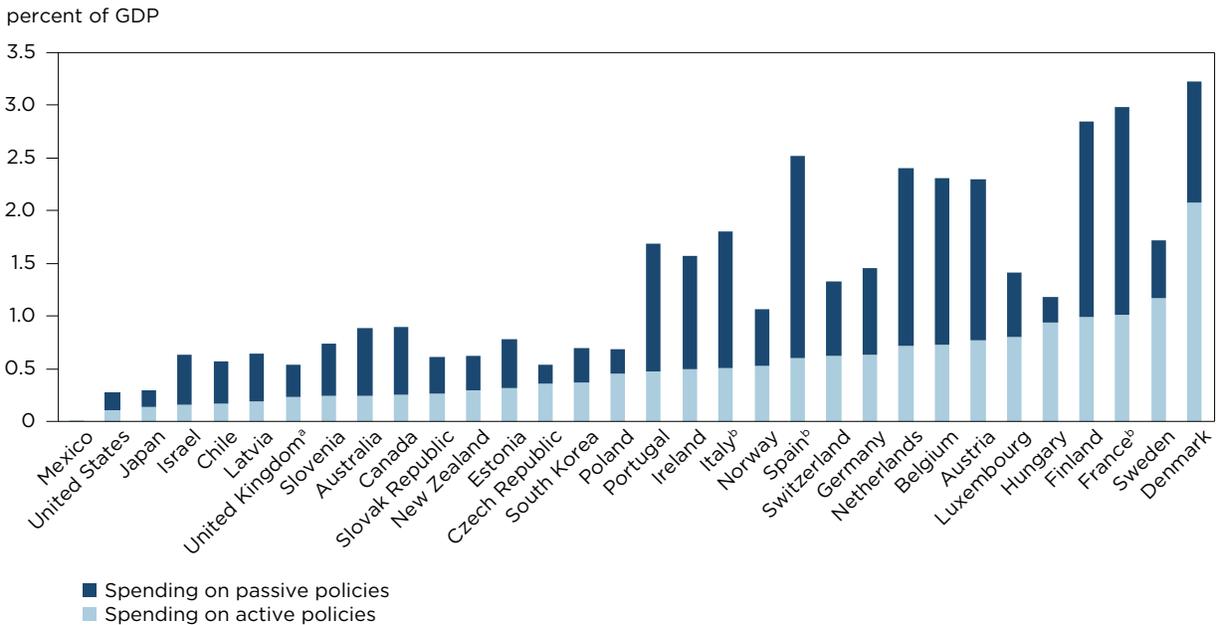
In contrast to the United States, other OECD countries invest more and engage in a much broader set of labor adjustment programs. The United States spends less on labor market policies than most all other OECD countries except Mexico (figure 1) when it comes to ALMPs, such as training programs and wage subsidies, that provide incentives to workers to find jobs. Moreover, the Council of Economic Advisers (CEA) reported in 2016 that spending as a share of income on active labor market policies has declined to half of what it was in 1985.

This Working Paper was preceded by a companion paper documenting and analyzing the distinctive characteristics and challenges of the US labor market (Bown and Freund 2019). For example, the economic downturn precipitated by the 2007–09 financial crisis inflicted more

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1. Most of the evidence described in this paper derives from government programs in other countries. Nevertheless, evidence from a handful of programs administered within the United States is also discussed.

**Figure 1 Total spending on labor market policies in 32 OECD countries as percent of GDP, 2016**



OECD = Organization for Economic Cooperation and Development

a. Data are for 2011.

b. Data are for 2015.

Note: The entire bar in the figure indicates total spending.

Source: OECD (2018).

damage on many other countries than on the United States. Manufacturing has declined as a share of employment in most advanced economies, but the collapse of American labor force participation among prime-aged workers has been far greater than in other countries. Moreover, the lower jobless rates in the United States mask the problem because of the high number of workers who have exited the job market and are not measured as unemployed, in many cases because they have given up looking for work. Because US adjustment assistance is so limited, research shows that US workers have transitioned from unemployment insurance to disability insurance, which has expanded. Accordingly, the experience of other countries suggests that an appropriately targeted shift in US spending—more on labor market policies and less on disability policies—could bring workers back into the labor force, helping them adjust and contributing to greater US economic growth.

A separate issue raised by the experience of other countries is the role of encouraging self-employment and startup programs, especially in what has become known as the “sharing economy,” in which jobless workers have turned to driving cars (through Uber, for example) or renting their properties. These activities have received little government funding historically, making it difficult to determine whether they could be useful in combatting job loss. The

little evidence that exists casts doubt on such programs’ ability to target the long-term unemployed. The characteristics of people that are most inclined toward self-employment or starting a business are distinct from those of the pool of people who have a challenging time finding work. While the sharing economy offers a greater potential to help the unemployed—and is already serving the underemployed well—early evidence suggests that it may fail to reach the most disadvantaged. Benefits from the sharing economy tend to be found in more densely populated areas, where work tends to be easier to find, and they favor those people already endowed with some assets (e.g., an automobile or property). Furthermore, the poor performance in recent US labor force participation has taken place despite the growth of the sharing economy.

Finally, beyond active labor market policies, educating workers for the jobs of the future could help keep people in the job market. But here too the experience of the United States is also worrisome. For example, in education, American students continue to underperform relative to their peers in other countries, especially in fields like mathematics and science. The lack of adequate basic training in math and science may impede future generations of workers from being able to take advantage of retraining programs and other active labor market policies as the need for worker

adjustment grows and demand for a skill- and education-oriented work force increases. Since the beginning of the Industrial Revolution in the 19th century, less skilled workers have been able to take advantage of technological progress, working in the manufacturing sector producing garments, appliances, autos, and other increasingly sophisticated goods. Today manufacturing in high-tech or advanced manufacturing sectors requires greater skills and education than in the past—making it clear that without a sustained effort to train and educate workers in the future, there is little hope of dramatically improving prospects for employing the workers needed to power the US economy.

## 2. POLICIES IN OTHER COUNTRIES

Passive labor market policies—such as unemployment insurance—are meant to provide a financial cushion and some income support to workers who have lost their jobs. Active labor market policies attempt to stimulate employment by helping workers find jobs or train for new jobs, subsidizing employment, or providing public sector employment through direct job creation.<sup>2</sup>

What types of active labor market policies are most effective—relative to their costs—in helping workers find jobs and stay employed?

The most common ALMPs are placement services (public employment services [PES] and administration), training, employment incentives, and direct job creation. Figure 2 shows the size of spending on these programs across 32 OECD member countries in 2016 as a share of gross domestic product (GDP).<sup>3</sup> There is significant variation across the major economies, with the United Kingdom and Germany relying largely on job placement services; Austria, Finland, and Denmark targeting training; Luxembourg and Sweden offering employment incentives; and Hungary, France, and Korea using direct job creation as their main form of assistance.<sup>4</sup> Relative to many countries, the United States spends only a small share of its GDP on each of these active labor market policies.

Figure 3 illustrates how spending has changed over time in the United States and other major economies. Aside from

the United States and Japan, most countries are spending more on placement services. Other forms of assistance have remained flat or declined, however, with temporary increases during downturns. The countercyclical nature of these policies is especially visible for employment incentives in Sweden, which surged during the banking crisis in the early 1990s and again following the global financial crisis of 2007–09. Except in France, spending on direct job creation has been declining over time.

Evaluating the effectiveness of policies by examining spending patterns and outcomes across countries is complicated by the fact that expenditures are countercyclical—countries with more severe unemployment tend to spend more on labor market policies—so how policies cause a change in employment is hard to identify. To address this problem, a considerable body of economic research focuses on new programs or randomized trials, where some people were randomly selected for a program and compared with those in a control group, to tease out more precise estimates of their effectiveness. While such studies offer the most precise estimates of policy effectiveness, a concern with this literature is that when programs are small or very specific, their estimated effects may not be a good indicator of how the programs would perform if they are scaled up or used in a different context.

Economists have employed different approaches to address this concern. One is referred to as meta analyses, in which researchers empirically evaluate hundreds of micro studies together to draw broader conclusions from the large number of individual program evaluations (Card, Kluve, and Weber 2010, 2018).<sup>5</sup> A second way of examining the aggregate effects of various policies is to focus on policy interactions, e.g., spending may increase in downturns, but when spending is more heavily concentrated in specific policies, results may be different (Escudero 2018). Both types of studies find that job placement services coupled with a wider set of policies, including training and wage subsidies, are especially effective at boosting employment.<sup>6</sup>

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2. In figure 1, total spending is made up of spending on active and passive labor market policies. A third group of policies, such as apprenticeships, focuses on youth unemployment. While not considered here, these have been effectively used in some countries in Europe. For lessons from these programs, see Aivazova (2013).

3. This list of ALMPs is not exhaustive; see OECD (2018).

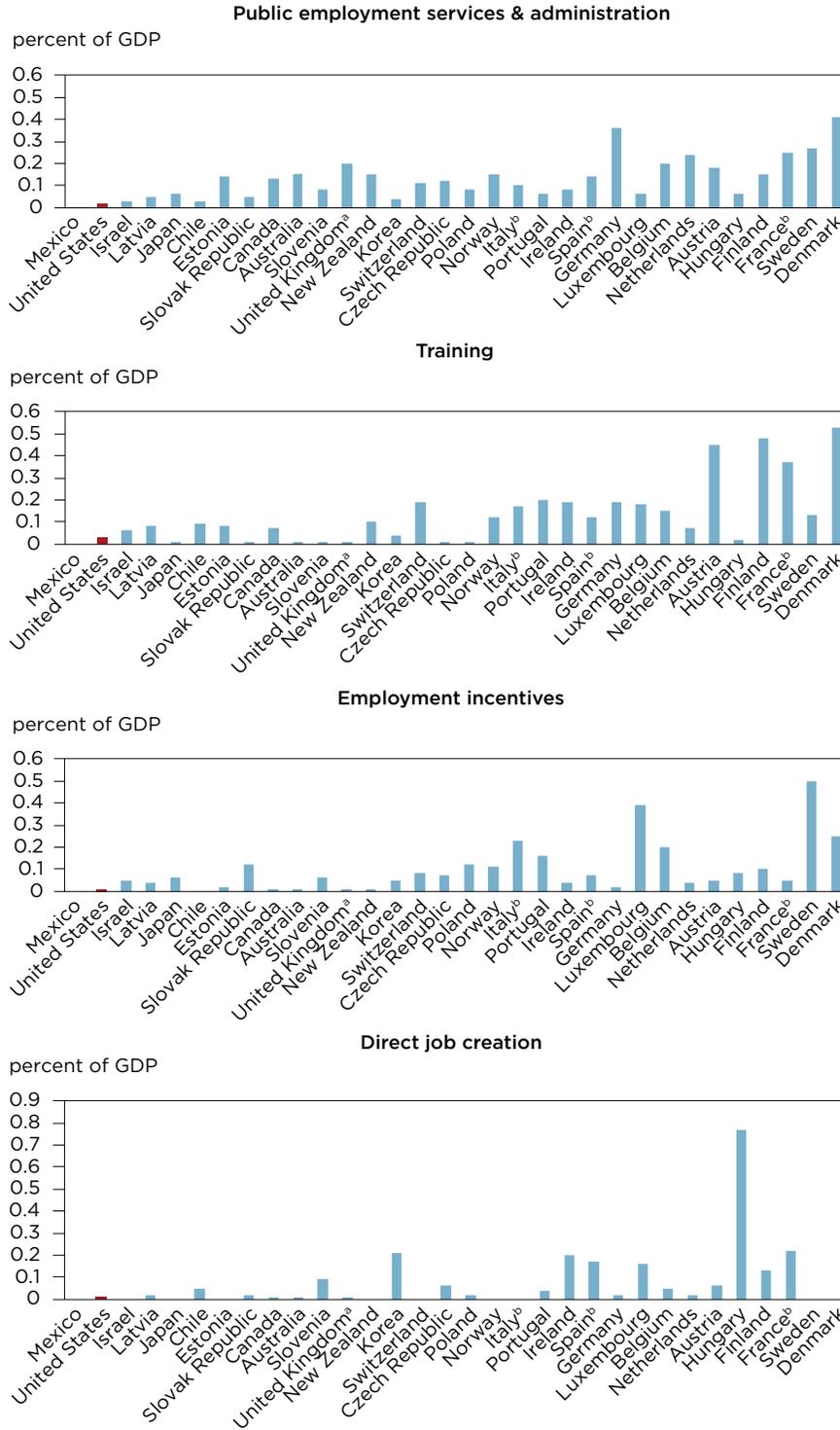
4. Another likely explanation for differences across countries is institutions, including the role that labor unions and local governments play in supporting ALMPs. See also Blanchard and Wolfers (2000).

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5. Crépon and van den Berg (2016) provide a more critical survey of such programs and instead focus on outcomes beyond employment, in an attempt to assess somewhat more subjective indicators of self-esteem and social exclusion. McKenzie (2017) reviews the evidence on the impact of ALMPs in developing countries and finds that they are much less effective than policymakers assume.

6. Card, Kluve, and Weber (2018) present evidence that active labor market programs tend to have a bigger impact during economic downturns, though it is not yet clear why. One explanation is that such programs are more valuable during recessions. But another is simply that the pool of program participants is different during periods of higher unemployment or weaker growth.

**Figure 2 Spending on most common active labor market policies in 32 OECD countries as percent of GDP, by policy type, 2016**



OECD = Organization for Economic Cooperation and Development

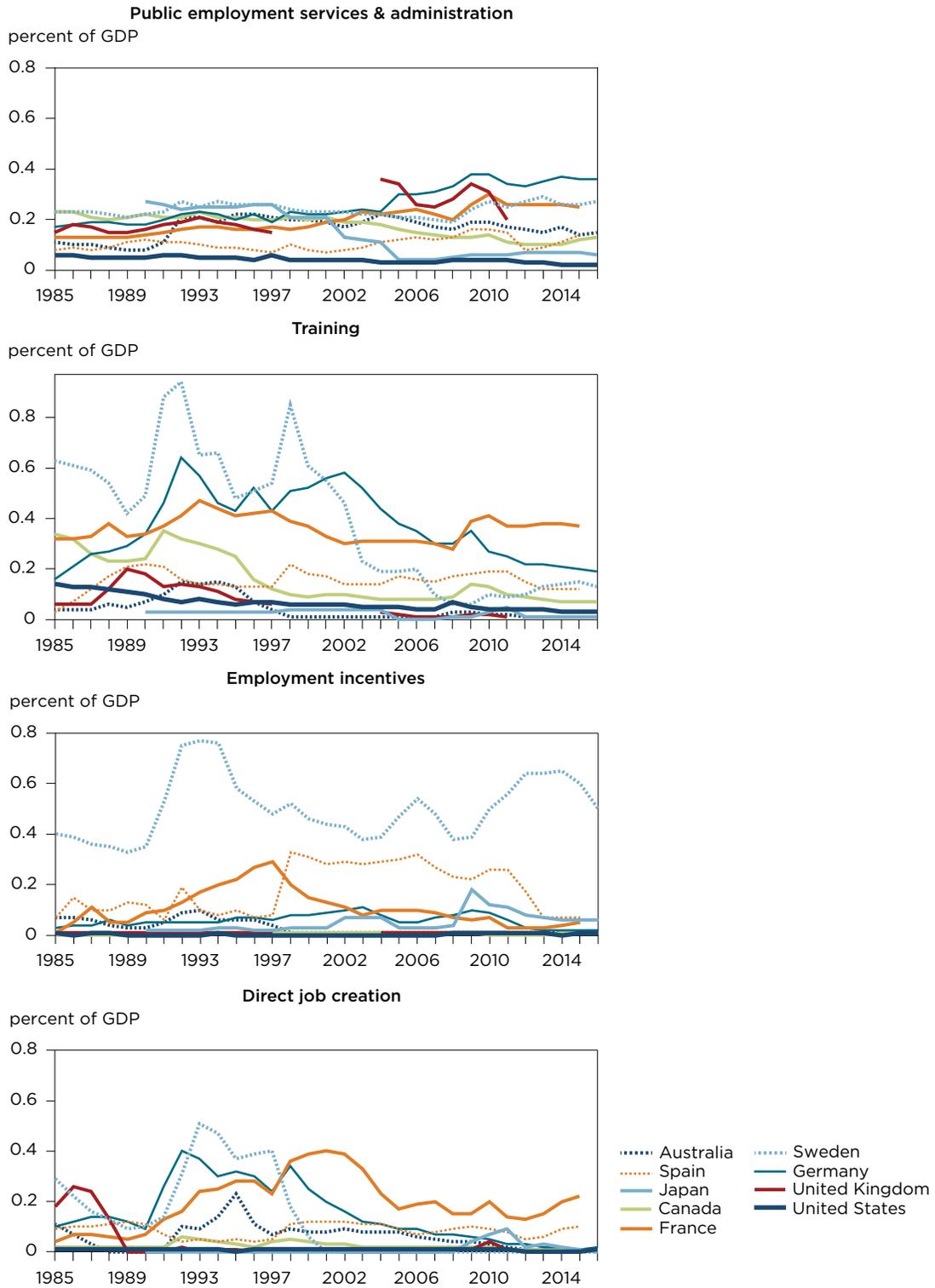
a. Data are for 2011.

b. Data are for 2015.

Note: See appendix A for definitions of spending categories.

Source: OECD (2018).

**Figure 3 Spending on most common active labor market policies over time in selected OECD countries, by policy type, 1985–2016**



OECD = Organization for Economic Cooperation and Development

Note: See appendix A for definitions of spending categories. Lines in some graphs are broken because data for some countries are missing for some years, and in some graphs lines are sticking to the x axis because spending in some categories is zero in those countries.

Source: OECD (2018).

**Table 1 Summary of active labor market policies**

Policy type	Purpose	Pros	Cons	Empirical evaluation
Job placement services	Improving matching of workers to jobs	Shorter unemployment spells Cost effective	Does not create jobs Requires monitoring	Positive
Training programs	Provide skills for better employment	Flexible workforce Higher wages	Programs must be relevant Costly	Positive especially in medium run Potential for short-run costs
Employer subsidies	Increase demand for workers	Job creation	Requires targeting Benefits may accrue to firms and not workers Costly	Mixed
Wage insurance	Increase supply of workers	Job creation	Regressive if not targeted Increase in unemployment registrations Costly	Generally positive
Public works	Direct job creation	Immediate benefits	Costly Negative signaling effect	Negative
Self-employment	Direct job creation	Encourages entrepreneurship Works for educated people	Limited effectiveness High failure rate	Little evidence to date

Table 1 summarizes the various types of active labor market policies, how they work, and the results from studies. More detail on the empirical studies and some examples are offered below.

### Job Placement Services

The most robust finding in the research literature assessing the effectiveness of the ALMPs discussed above is that job placement services tend to increase the probability of finding a job quickly (within four months). While such services help reduce the duration of unemployment and the pool of long-term unemployed, the main disadvantages are that they do not fundamentally change labor market demand or increase human capital in ways that may have larger payoffs over the long term. Because they do not alter demand, the positive effects on the targeted group can be offset by displacement effects. Without job creation, these services may simply take jobs from other workers, some of whom are unemployed or underemployed, and give them to job seekers availing themselves of these services. These services also do not alter the supply of skills in the workforce—e.g., by retraining—and so will not fundamentally change any long-run, evolving needs of the market in a dynamic economy. Thus, to the extent that placement services have a positive impact on the recipients, they may do little to counteract overall problems of unemployment. As mentioned earlier, placement services are likely most effective when combined with other

programs that stimulate employment or enhance human capital accumulation.

For example, France has a program in which the government pays a private placement service to assist young unemployed workers, but the payment occurs only if they find a job and again if they maintain a job for more than six months. The service has been shown to be effective in helping workers find jobs, but Crépon et al. (2013) find that there are also significant displacement effects, which calls into question the overall value of the program, given the cost of the government program.

Given the sharp rise in the duration of unemployment in the United States and the decline in labor market participation (Bown and Freund 2019, figures 2 and 5b), better job placement services might have lessened the pain from the financial crisis of 2007–09. However, to be successful, these services may need to have been combined with some of the additional programs described below.

### Training Programs

Research on job training tends to be more mixed, though evidence from studies that examine workers over a longer period tends to find positive results (Kluve 2010; Card, Kluve, and Weber 2010, 2018; Hyman 2018). Training may have limited benefits in the short run (less than one year) if wages are temporarily reduced during the training period, as some workers are not working during the period

while they are acquiring new human capital. In the long run, however, wages rise above otherwise similar workers, as the worker realizes the gains from acquiring new skills.

Training programs are most successful when they target a specific job. Early research has found that training tends to work better for women than for men (Bloom et al. 1997; Friedlander, Greenberg, and Robins 1997; Greenberg, Michalopoulos, and Robins 2003). This finding implies that the effectiveness of such programs may be limited in the most recent and troublesome US environment, where low-skilled jobs are disappearing faster for men than for women. However, more recent studies (Bergmann and van den Berg 2008), show that training worked better for women in the past partly because they were training to enter the work force; for unemployed workers, effectiveness is more similar across genders.

For example, one of Germany's most extensive labor market policies is short-term training programs that last between 2 and 12 weeks. In the mid-2000s these programs enabled more than one million people to enter the workforce annually. They offer two types of programs, one focused on training for a new skill and the other on evaluating skills and training for job search, such as interviewing or preparing a curriculum vitae. Several studies have found that training programs reduce the duration of unemployment and increase the duration of employment once the worker is hired. Fitzenberger et al. (2013) find that programs that teach new skills have better results than programs that train for job readiness. They also find that short-term training benefits the worker more when it is started in the first year of unemployment. Beginning training around year 2 has no significant effect on employment.

### **Employment Incentives**

Employment subsidies and wage insurance are an expensive but potentially productive means of encouraging employment, especially in the short run (Card and Hyslop 2005). Employer subsidies offer incentives to firms that hire specific workers, expanding the demand for labor at a given wage. Wage insurance offers workers assistance that makes up for all or part of lost wages if unemployed workers take a lower-paying job. Thus, wage insurance increases labor supply at a given wage.

While economic theory indicates the two policies should have similar effects on employment, important differences can arise in practice.

One important concern about these programs is that if they are not well administered, they might benefit groups they are not meant to benefit. Which groups undeservedly benefit differ between the two policies. In the case of wage subsidies, sometimes benefits have been enjoyed by

firms that would have hired workers even in the absence of subsidies (Van der Linden 1997). These firms did not need subsidies to hire workers and enjoyed the benefits anyway. For this reason, subsidies must be well targeted. In the case of wage insurance, workers who otherwise would not have filed for unemployment may be inclined to do so to receive the transfers (Meyer 1995).

There are also differences in how such policies are perceived. Workers may prefer to receive their income from a firm instead of the government. Society, however, may prefer giving transfers to people instead of providing subsidies to firms.

Finally, there may be differences in how easy the benefits are to phase out. For example, if firms are averse to hiring certain workers because information about their qualifications is imperfect, then providing these firms with a temporary subsidy to hire those workers may be most effective.

A number of studies find that when wage subsidies can be very effective when combined with placement services and training (e.g., Katz 2008). One example is "Platform to Employment," a job placement and wage subsidy program aimed at helping the long-term unemployed in the state of Nevada. The program offers a five-week job readiness class and then covers up to the first two months of the participants' salaries at a new employer. The program is expensive, costing roughly \$6,000 per person, but the participants have an 80 percent placement rate, and 90 percent have kept their positions after the trial period.<sup>7</sup>

Wage insurance has also been shown to be effective at getting people back to work. Canada implemented an experiment by offering wage insurance to nearly 5,000 single parents (mostly women), who left long-term assistance programs for full-time work. The program was designed as a randomized trial for evaluation purposes. Studies performed after 18 months found that it had doubled the rate of full-time employment and substantially increased income. After 36 months, the results remained intact. The cost of the program is also found to be less than that of providing income assistance (Michalopoulos et al. 2000).

### **Direct Job Creation**

Studies of direct job creation such as public works programs typically do not find positive employment effects and sometimes find negative results. One problem is that participation in public works can signal to future employers that the worker is hard to place (Bonnal, Fougere, and Serandon 1997; Card, Kluge, and Weber 2010). Programs that require

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7. Alana Semuels, "A Better Way to Help the Long-Term Unemployed," *Atlantic*, February 18, 2015.

the government to cover administrative costs and salaries of the program participants are also very costly to administer.

The negative effects of public works programs have been repeated in many settings and show why such programs have largely been phased out in many countries (see again figure 3). Denmark's Job Offer program of 1977 guaranteed seven months of subsidized work in the public sector to the long-term unemployed. Fewer than half of the participants found jobs afterwards. Finland had to scrap a similar program when soaring unemployment in 1993 made it too costly. Ireland found that fewer than 20 percent of workers in a public works program in the 1980s found jobs in the private sector after completing the program (Brodsky 2000). Similarly, figure 3 illustrates that Australia, Germany, Sweden, and the United Kingdom currently spend much less on such programs relative to levels in the 1990s.

### **Self-Employment**

Self-employment or startup programs are used less as a remedy for job loss. An important reason is that profitable self-employment requires many skills that the unemployed, especially the long-term unemployed, don't possess. OECD economies spend only 0.01 percent of GDP on average on startup programs. Most countries, including the United States, spend nothing. Only Spain uses such programs as an important part of labor policies (0.1 percent of GDP). Spain is an exception because labor regulations make hiring, firing, and starting businesses difficult, so self-employment rates are relatively high in the country as businesses hire individual contractors instead of employees (Carrasco and Ejrnæs 2012).

There are only a few evaluations of the effectiveness of such programs because they have been so rarely deployed. One exception is self-employment and enterprise development programs of the late 1980s and early 1990s, designed as randomized experiments, in the states of Washington and Massachusetts (Abt Associates 1994). The two programs were offered to a large group of unemployed workers, as a demonstration program for self-employment and enterprise development and maintained a similar size control group. Within the groups offered the programs, only a very small percent of the unemployed (2 and 4 percent) met the program conditions. Neither program had strong employment results nor were they cost effective.

New technologies and the sharing economy may challenge the view, however, that self-employment is an ineffective means to combat job loss. Unemployed workers can now more easily find flexible employment in ride sharing, food delivery, doing chores, child care, or a number of other services.

Because it is relatively new, studies documenting the worker characteristics and incomes in the sharing economy are just becoming available. Thus far, the most common form of employment is in ride sharing. Hall and Krueger (forthcoming) use survey and administrative data on Uber drivers and find that only 8 percent were unemployed before becoming drivers. Most were underemployed and seeking additional income. Their study also finds that Uber offers workers valued flexibility, with most workers driving less than 15 hours a week. Their results offer one example of the sharing economy providing supplementary income to workers and serving as a (temporary) source of income for the unemployed and underemployed.

Results from studies of the sharing economy also show that people that are most vulnerable, have few assets, little education, and are in remote areas are unlikely to benefit. For example, becoming a driver for ride-sharing services requires a clean, well-functioning car and knowledge of how to work with technology—qualifications that are much more common among more educated workers. The sharing economy has expanded most rapidly in densely populated urban areas. Hall and Krueger find that 77 percent of Uber drivers have some college education, an associate degree or higher, compared with 53 percent of all workers and even less of taxi drivers. Similarly, a study of BlaBlaCar, France's city-to-city ride-sharing service, finds that the drivers tend to be higher income than the passengers (Shaheen, Stoker, and Mundler 2017).

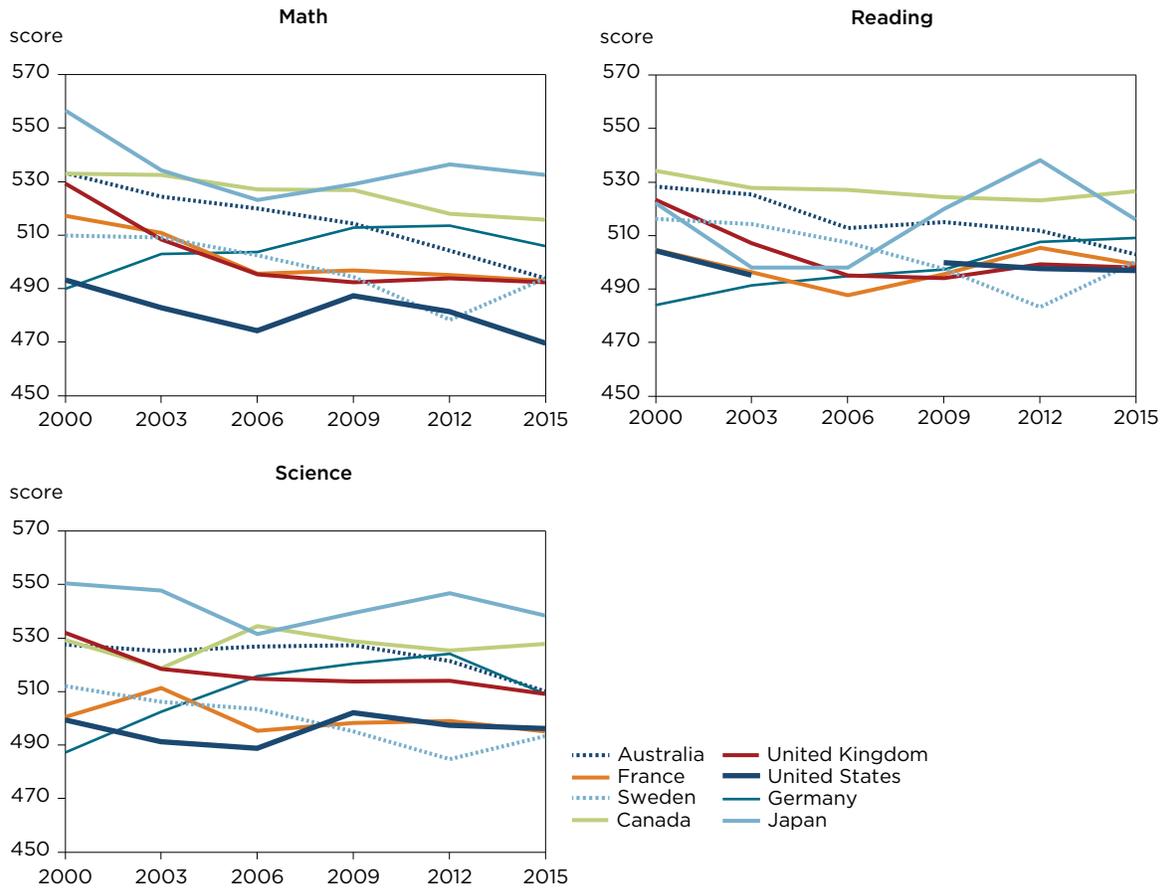
### **3. EDUCATION AND PREPARATION FOR THE LABOR MARKET**

A final concern facing the American workforce is insufficient basic training in STEM (science, technology, engineering, and mathematics) fields, which is crucial in the 21st century economy (Altonji, Kahn, and Speer 2016; Deming and Kahn 2018).

Figure 4 illustrates the performance of American students on the OECD's Programme for International Student Assessment (PISA), a triennial international survey of cohorts of 15-year-olds around the world. The survey measures scholastic performance in math, reading, and science, and American students consistently score poorly, especially on the math and science exams.

The failure to provide minimum training to students in technical fields during their early schooling years may affect their ability to find higher-skilled jobs in the long term, and they could find it difficult to take advantage of ALMP interventions such as retraining or acquisition of new skills in the future.

**Figure 4 Scores of selected OECD countries on OECD's Programme for International Student Assessment, 2000-15**



OECD = Organization for Economic Cooperation and Development

Note: Data on reading scores for 2006 are not available for the United States. The scale for math, reading, and science ranges from 0 to 1000. Mean scores across PISA assessments.

Source: OECD (2016).

#### 4. POLICY IMPLICATIONS

This paper compares the United States with other OECD countries to evaluate the best modes of getting people back to work, because labor force participation in the country has been very low over the last decade. The main lesson is that the US labor market would be better served by shifting from disability insurance to active labor market policies as a means to help the unemployed. The greater concern is poorly performing American students, on average, in technical fields like math and science and how this deficiency may impede their future employment prospects, as well as their ability to avail themselves of services to “adjust” to continual economic changes.

However, it is important to reiterate that ALMPs are not a panacea. There is an active and unresolved debate among economists, many of whom perceive the lack of aggregate

demand as being the main impediment to improved US labor force participation. Firms facing low demand for their goods and services don't have a need for new workers, which leads to slow hiring, fewer jobs, and increased unemployment. If US labor force participation has been low due to insufficient aggregate demand, then ALMPs (aside from costly direct job creation) will do little to increase participation except perhaps displace other workers. Furthermore, specific peculiarities in the US labor market may make effective implementation of ALMPs more challenging than elsewhere. These may include the lack of willingness and responsiveness of labor unions and local governments to partner in the take-up and deployment of such programs even if they were to be offered. Differences in work-sharing, child care availability, and rigidities in the housing market are also likely to impact labor market adjustment.

Finally, the call for more active US labor market policies is not new.<sup>8</sup> Charnovitz (1986), Kletzer (2001), Aldonas, Lawrence, and Slaughter (2008), among many others, have sounded alarms about the need to do more to assist American workers in finding jobs. What is new is that the US labor market, which has historically been more flexible than other countries, is now diverging, particularly in the declining labor force participation.

The United States currently spends about 0.1 percent of GDP on active labor market policies, compared with an average of 0.5 percent of GDP in 31 other OECD countries. Bringing the United States to the average could help stem the decline in labor force participation, return millions of working-age Americans to employment, supporting their well-being and US economic growth.

The evidence presented in this paper shows that the United States should spend more on developing and deploying a mix of active labor market policies to help workers stay in the labor force and shorten periods of unemployment. Job placement services are found to be effective in reducing the duration of unemployment but cannot work as the sole form of assistance because they do not create jobs. Thus, displacement effects may offset any gains obtained from placement services, given their cost. Coupling them with training is the best solution. They can also be effective when combined with employer subsidies or wage insurance, especially for hard-to-place groups, such as the long-term unemployed. In contrast, public works programs tend to be ineffective.

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8. See, for example, Kremen (1974) for a description of President Kennedy's Manpower Development and Training Act of 1962 and even earlier programs.

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## APPENDIX A TERMINOLOGY AND DEFINITIONS

### **Public Employment Services (PES) & Administration.**

These services include placement, counseling, and vocational guidance; job search courses and related forms of intensified counseling for persons finding it difficult to get a job; and coverage of support for geographic mobility (relocation costs) and similar costs in connection with job search and placement. This policy also includes spending on all administrative costs of labor market agencies and programs, like unemployment benefit agencies.

**Training.** These measures are undertaken for reasons of labor market policy, other than special programs for the youth and disabled. Expenditures include both course costs and subsistence allowances to trainees, when such are paid. Subsidies to employers for enterprise training are also included but not employers' own expenses.

**Employment Incentives.** These programs are designed to promote employment for unemployed and other persons in the public or private sector. These incentives are intended to be short-term measures to allow the unemployed to gain work experience and prevent skill atrophy. Examples include wage insurance for workers and wage subsidies for firms.

**Direct Job Creation.** Temporary work and, in some cases, regular jobs in the public sector or nonprofit organizations offered to unemployed persons.

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