Evaluating Active Labor Market Policies using a Spatial Regression Discontinuity Design

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In this paper we evaluate the effectiveness of active labor market policies using a spatial regression discontinuity design and a large georeferenced data set on workers and unemployed persons in Germany. Their combination allows for a precise estimation of the effects that different types of measures (e.g., public employment, training, wage subsidies and coaching) have on subsequent employment prospects of job seekers. As our key identification approach we exploit the fact that job center policies change discontinuously at county borders while the conditions of regional labor markets vary smoothly in space. The structure of the data allows us to disentangle short- and long-term effects and, hence, to control for potential lock-in effects, as well as to shed light on dynamic employment effects over longer periods. Our preliminary results indicate that, in general, participating in measures of active labor market policies does not raise the number of days employed after participation.

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