

ARE THERE LASTING EFFECTS FROM TRAINING THE UNEMPLOYED IN A TRANSITION PROCESS ? EMPIRICAL EVIDENCE FROM EAST GERMANY

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Very preliminary results!
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Abstract

Between 1991 and 1997 on average about 3.8 bn Euro have been spent per year on public sector sponsored training programmes for the unemployed in East Germany. This paper presents evaluation results for different forms of East German public sector sponsored training programmes of the mid 1990s. The empirical analysis is based on a new administrative data base constructed for evaluation purposes that supports selectivity correction by microeconomic matching methods as well as the identification of effects over a horizon of more than eight years.

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We find negative short-run effects on employment for all programmes which are, however, directly related to the duration of the programmes thus providing evidence for a lock-in effect. For all programmes, we also find evidence for positive employment effects compared to non-participation in the longer run which are most pronounced and highest (between 10-20%-points) for short (up to six months) training. In the longer run, short training also dominates both long (more than six months) training and retraining for participants in the latter two programmes. Participants in long training also would have been better off had they participated in retraining. On the other hand, participants in retraining would have been worse off had they participated in long training. Participants in short training have clearly benefited compared to long training but no significant difference can be found with respect to retraining.

Focussing on the overall performance over the eight-year period, i.e. netting out positive and negative effects over time by accumulating months of employment, the findings change somewhat, because the different programmes have different lock-in effects. In this comparison, short programmes clearly outperform the rest. Compared to non-participation, the gain after eight years would be about eight months of additional employment. For long training no significant gains compared to non-participation can be found. The overall performance of retraining is very disappointing. Even after eight years initial lock-in effects cannot be compensated. Retraining participants are still substantially worse off compared to non-participation and especially compared to short training. With respect to long training, there is no significant difference after about six years.

It is important to note that any interpretation of the above results has to take into account that we are not able to distinguish regular employment from subsidised employment in job creation schemes - especially against the background that a large number of East Germans participated in such schemes in the early 1990s. Thus, the positive result for short training may, to a potentially large extent, be driven by persons entering job creation schemes with rather long durations of typically one to three years shortly after completing short training.

Keywords: Active labour market policy, matching estimation, programme evaluation, panel data.

JEL classification: J 68

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