

Reframing active labor market policy: Experimental evidence of training vouchers for unemployed *

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1 Introduction

Active labour market policies, and more specifically training courses for the unemployed, have been shown to generate long-lasting positive effects on re-employment, but also subsequent earnings and the length of the subsequent employment spell (Card, Kluve, and Weber, 2018; Crépon, Ferracci, and Fougère, 2012; Hofer, Weber, and Winter-Ebmer, 2013; Rinne, Schneider, and Uhlendorff, 2011) as well as mental health (Wang et al., 2021). These effects are even more pronounced for disadvantaged groups in the labor market, such as women, less educated, and long-term unemployed (Card, Kluve, and Weber, 2018). While the benefits of training are, thus, clearly established in the literature, unemployed are often reluctant to participate in training offered to them and perceive assignment as a burden or even punishment. This is even more puzzling, given that training programs are typically provided for free by the Public Employment Service (PES). Consequently, the question arises: why are unemployed reluctant to have this 'free lunch'? Our field experiment can inform how the uptake in training can be increased to improve employment prospects and social mobility of jobseekers. We can further shed light on the relationship between unemployed and the Public Employment Service and how this could be improved towards a less hierarchical, empowering relationship.

2 Methodology

2.1 Intervention

In February 2021, we launched a field experiment that consisted of an information treatment provided to unemployed. The intervention was implemented by the Public Employment Service of Lower Austria (*Arbeitsmarktservice Niederösterreich (AMS NÖ)*). The goal was to increase enrollment in training with the aim of increasing reemployment chances among jobseekers. We

*The experiment and pre-analysis plan are registered as AEARCTR-0007141. The code is available on GitHub. The experiment was reviewed and approved by the Departmental Research Ethics Committee at the University of Oxford and by the Competence Center for Experimental Research at the Vienna University of Economics and Business.

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randomly allocated a large number of unemployed in Lower Austria to three treatment groups and one control group.¹ The first treatment group received a newsletter informing about training opportunities offered by the PES; the second treatment group additionally received a training voucher to be redeemed with the PES up to a value of €15.000,- or up to €3.000,- for any training not provided via the PES.; the third treatment group received additional information on open vacancies by occupation. The intervention consisted only of the variation in the information provided with all options and obligations remaining the same for individuals of all four groups.

2.2 Data

Our sample comprises of 11.000 unemployed, as documented in the pre-analysis plan. This includes all unemployed with an unemployment spell of 2 to 3 and 6 to 12 months at the time of treatment.² The post-treatment survey is sent out to the entire sample. The response rate for the post-treatment survey was 32%, which is relatively high when comparing it to similar interventions (Dhia and Mbih (2020) had a response rate of 13%).

2.3 Estimation and inference

We will estimate parametric regressions for the treatment effects using the following estimation regression:

$$Y_i = \beta_0 + \beta_1 T_2 + \beta_2 T_3 + \beta_3 T_4 + \mathbf{X}_i + s_i + \epsilon_i \quad (1)$$

where Y_i refers to the outcome variables for individual i . Depending on the scale of the outcome variable, an OLS(continuous) or a Logit(binary) regression is used. T_2 to T_4 refer to the treatment groups as described above. As we used stratified randomization, we include strata dummies, following Athey and Imbens (2017). We additionally control for all socio-demographic variables \mathbf{X}_i , that were not used for stratification. We further explore heterogeneities in the treatment effect via subgroup regressions.

3 Preliminary results

Our preliminary results show that our intervention was indeed successful in increasing training participation, especially for more sophisticated training courses. It also seems, that unemployed reduce participation in activation courses. Our intervention thus also changed the type of training. Figure 1 shows average training take-up in the four groups over the first year after the intervention. The Newsletter and the Voucher were thus successful in increasing training participation consistently over the whole period, indicating that it is indeed a level effect in take-up and not only earlier take-up.

¹More detailed information about the specific treatments and assignment via stratified randomization can be found in the Pre-Analysis plan (AEARCTR-0007141)

²Individuals with the status *unemployed* as well as *in job search* are included, meaning that all registered unemployed are included regardless of whether they receive unemployment benefits or not. Unemployed who are already enrolled in a training (*in Schulung*) at the time of the intervention are excluded from the sample. The sample is further restricted to people, who are at least 25 years old, did not accept a new job offer, and have a valid email address.

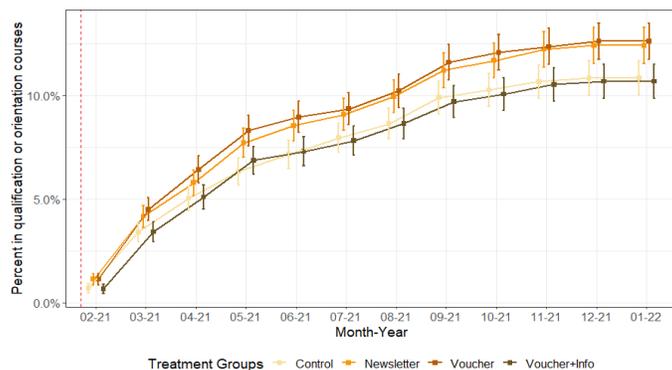


Figure 1: Training take-up over time

Interestingly the fourth group, that additionally received information on open vacancies did not increase training take-up. This makes us speculate that the kind of jobs with most open vacancies may be unattractive to jobseekers, which is corroborated further with the heterogeneity analysis and the post-treatment survey. The heterogeneity in treatment effects is shown in Figure 2. The treatment effect for the Voucher and the Newsletter are especially pronounced for women, older unemployed, those who had lower income before becoming unemployed and those with a duration of 6-9 months. The null-effect for the fourth treatment group with information on job vacancies masks considerable heterogeneity. While the treatment worked well for more disadvantaged groups (low income, lower education), it had clear negative effects on groups that are in a better position on the labor market (middle-aged, higher education, high income). The findings indicate that those jobs with most open vacancies are of ill reputation, poor quality or simply do not match most jobseekers' demands; especially those who do not belong to a disadvantaged group. This is a sensitive finding in light of political debates on unemployment and labor shortages. For research, our findings suggests individually targeted labor market information as a future avenue for experiments. Too general information may have negative effects on particular subgroups.

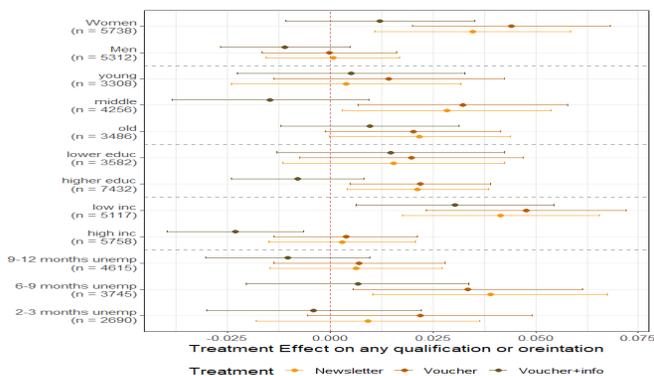


Figure 2: Heterogeneity in treatment effects

Further results over the next years will shed light on the effects of training unemployed on employment, wages, job quality and social mobility.

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