

Niño-Zarazúa, Miguel; Torm, Nina

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Active labour market policies in Asia and the Pacific: A review of the literature

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Active Labour Market Policies in Asia and the Pacific

A review of the literature

Miguel Niño-Zarazúa and Nina Torm

SECO WORKING PAPER 2022: 4

SECO  Socio-Economic Research Centre

Department of Social Sciences and Business, Roskilde University

Universitetsvej 1, 4000 Roskilde, Denmark

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ABSTRACT

This paper reviews the evidence on the effectiveness of active labour market programmes in low- and middle-income countries with high informality, highlighting examples of interventions that have been implemented in combination with other policies including social protection measures. In reviewing the literature, we adopt a scoping review methodology to identify studies that look at a range of programme outcomes including earnings, employment, formality and productivity. We include studies from 2000 onwards, and after a thorough selection and screening process we end up with 106 papers for the review. Most of these studies find some positive aspect associated with the programme under study, although significant positive aspects are in many cases contingent on a specific target population, or time frame of programme and evaluation. We employ a theory of change conceptual framework to further discuss the channels, mechanisms and assumptions that are seen to underpin programme effectiveness (or the lack of). Success often depends on specific contextual factors and/or the joint implementation of different types of active and/or passive labour market policies, including specific social protection measures or other public policies.

AUTHOR

Miguel Niño-Zarazúa is a Senior Lecturer at the Department of Economics, SOAS University of London, UK and a Non-Resident Senior Research Fellow at UNU-WIDER, Finland.

Nina Torm is based at the Department of Social Sciences and Business, Roskilde University, in Denmark, and works as a consultant for various international organizations including the ILO and UNESCAP.

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Active Labour Market Policies in Asia and the Pacific

A review of the literature

Miguel Niño-Zarazúa and Nina Torm

1. Introduction

Labour market policies (LMPs) are important policy tools that support the working age population to find decent work and transition to the formal economy. The primary economic function assigned to LMPs is the matching of labour demand and supply. Within LMP, active labour market programmes (ALMP) are specific interventions that target those seeking work - usually the unemployed - but also the underemployed and the employed who are at risk of losing their jobs, or looking for better jobs.¹ ALMPs are also relevant for the transition of workers to the formal economy, by facilitating the adaptation to new skills, not least in the context of labour market transformations arising from demographic transitions, technological change and climate-related contingencies (ILO, 2015, 2018, 2019, 2020a, 2020b).

ALMPs can be divided into demand-side policies (e.g. employment and wage subsidies, and public works), supply-side measures (e.g. training schemes) and interventions contributing directly to matching labour demand and labour supply (e.g. labour market services). By contrast, passive labour market policies (PLMP) are not conditional upon joining a training or work programme and provide replacement income during periods of joblessness or job search. This paper focuses on ALMP as these are the most relevant and widely implemented LMPs in the context of low- and middle-income countries (LMIC), often characterised by high levels of informality and underemployment.²

In the context of Asia-Pacific, ALMPs represent potentially important policy tools, as more than two thirds of the regional workforce is concentrated in the informal economy. Access to decent work and social protection remains very low, with less than half of the region's population covered by any form of social protection.³ Against this backdrop, this paper conducts, to our knowledge, the first rigorous scoping review of the literature on the effectiveness of ALMPs in Asia-Pacific and other world regions. Unlike systematic reviews, which typically focus on specific policy questions and interventions, scoping studies focus on a wider spectrum of policies, where different study designs and research questions can be investigated (Arksey and O'Malley, 2005). Since scoping reviews allow both broad and in-depth analyses, they appear the most appropriate method to make a synthesis of the current evidence on the effectiveness of ALMPs in LMIC.

This study addresses specifically three interrelated research questions: First, what can we learn from ALMPs implemented in contexts characterised by a high informal economy? Second, what type of ALMPs work best, for whom and why? Third, how can ALMPs complement social protection systems

¹ The ALMP acronym is often used interchangeably to refer to policies or programmes, yet in this paper it refers to the latter, whilst the former is the overall umbrella term for the different programmes.

² In some instances, ALMPs are implemented in combination with PLMPs to support those able and willing to work.

³ In October 2020, ESCAP member States endorsed the “Action Plan to Strengthen Regional Cooperation to Strengthen Social Protection in Asia and the Pacific” with a view to promote social protection for all and accelerate implementation of the 2030 Agenda for Sustainable Development.

in LMICs? To answer these questions, we review the existing rigorous literature from Asia and the Pacific (AP), Latin America and the Caribbean (LAC), sub-Saharan Africa (SSA) and the Middle East and North Africa (MENA) and develop a theory of change analytical framework to examine the channels and mechanisms that are likely to underpin the effectiveness or limitations of ALMP, and whether certain population groups are more likely to benefit from these policies, and why.

Overall, a significant heterogeneity in the effectiveness of different types of ALMPs across countries can be found, although the majority of studies point to positive outcomes (in terms of employment probability, formal employment and earnings) from the implementation of ALMPs. For the AP region training appears particularly beneficial, compared to, for instance, wage and employment subsidies, although displaying substantial variation across different groups, durations, as well as quality and types of training programmes. Moreover, in AP the effectiveness of training schemes seems to be particularly strong when combined with other ALMPs, whilst in LAC, training in conjunction with PLMPs appears to have more positive outcomes. In some instances, different ALMP work well in combination with employment subsidies and job market services, whilst in other cases coordinated interventions are less likely to result in positive outcomes and are more difficult to disentangle.

The remainder of the paper is structured as follows: Section 2 provides an overview of the key concepts, functions and typologies of ALMPs, and how they relate to social protection systems more generally. Section 3 outlines the scale of ALMPs in Asia and the Pacific relative to other world regions. Section 4 presents the methodology used in the paper. Section 5 summarises the evidence from ALMP impact evaluations from across the world and Section 6 discusses the findings employing a theory of change conceptual framework. Finally, Section 7 concludes.

2. Active labour market policies: Concepts, functions, typologies and actors

Since the 1960-70s many OECD countries have implemented LMPs as remedies for cyclical and structural unemployment. In the 1990s, the terms “activation strategies” and “mutual obligations” were frequently used to underscore the importance of combining passive income support—mainly in the form of unemployment benefits and assistance—with active employment support measures, including different degrees of conditionality on job-search intensity (Immervoll and Scarpetta, 2012; Malo, 2018; Martin, 2015).⁴

In LMICs, ALMPs gained interest during the 1990s with increasing efforts to implement anti-poverty policies in the context of structural adjustment programmes, while at the same time finding ways to address the potential threats of welfare dependency from income support schemes (Almeida et al., 2012). For instance, in transition countries in Eastern Europe and Central Asia, ALMPs were used for cushioning labour force adjustment to more market-oriented economic regimes (Auer et al., 2008). Around the same time job training programmes, focusing on low-income, or “at-risk” youth populations became particularly common in Latin America. In South Asia and sub-Saharan Africa, policies designed to

⁴ ALMP date back to the US in the 1960s and 1970s, and in Europe (e.g., Sweden and Denmark since the 1970s, Germany since the 1990s), with the European Union’s “European Employment Strategy” being promoted in the 1990s, and the 1994 OECD Jobs Study (re-emphasised in the 2006 OECD Restated Jobs Strategy). Initially they were closely associated with quite successful large public works schemes (US) yet; they grew to be more integrated as an instrument of economic and social policy, and their focus shifted from the demand to the supply side by using measures to enhance occupational and geographical mobility (Kluge, 2016). See Malo (2018), for a review of the history and effectiveness of ALMPs in developed countries.

increase self-employment, especially through micro-credit schemes, were extensively implemented, with varying degrees of success (Maitrot and Niño-Zarazúa, 2017). In most East Asian countries, active measures were enacted after the 1997 Asian financial crisis, but public expenditure on ALMPs in these countries has been substantially lower than OECD countries (Pignatti and Van Belle, 2021).

Moreover, when it comes to ALMPs in LMICs, they often suffer from programmatic and institutional fragmentation, leading to duplication of services and inefficiency (Bird and Silva, 2020), as well as insufficient financial, technical and administrative capacity to provide efficient labour market information and placement services (Davern, 2020).

As elaborated by Malo (2018), there are two main differences between OECD and LMICs countries that motivate the use of a specific classification of ALMPs. First, there are significant differences in the characteristics of national and regional labour markets in terms of informal employment, unemployment and underemployment. Secondly, administrative capacity often limits the impact of existing programmes. As a result, in LMICs ALMPs are used in a wider sense and often includes income support and other anti-poverty policy instruments. There is also a general tendency to merge and combine different interventions and objectives (ILO, 2016c). Given these differences, the International Labour Organisation (ILO) takes a wider approach to the definition of ALMPs in LMICs (*ibid.*), which contrasts the more parsimonious categorisation of ALMPs used by the OECD (see Table 1).⁵

Some of these policy measures may be more suitable in the context of OECD countries, whilst others (e.g., public works) constitute a key policy intervention in LMICs. Furthermore, in the broader ILO framework, ‘employment subsidies’ and ‘enterprise start-ups’ are separated out, whilst in the OECD classification both of these elements fall under the ‘private sector employment incentives’ category. It is therefore not surprising that ALMPs often generate different results when implemented in LMICs, relative to OECD countries (Betcherman et al., 2004; Escudero et al., 2019; McKenzie, 2017).⁶

This study adopts the ILO framework because of its focus on design features and incentives of ALMP in the context of LMICs. The study also looks at conditionalities, meaning that jobseekers who receive benefits are also required to participate in, for example, vocational training, with the goal of improving chances to obtain a job, higher earnings and other opportunities (Robalino et al., 2012). Such combinations are especially relevant in LMICs characterised by substantial quantitative and qualitative mismatches between labour demand and supply, because of large informal economy, discriminatory norms, and relatively low formal labour demand.

⁵ The OECD defines expenditure in ALMPs as all expenditure aimed at improving the beneficiaries’ prospects of finding gainful employment. This includes spending in (i) public employment services and administration; (ii) training; (iii) employment incentives; (iv) sheltered and supported employment; (v) direct job creation; and (vi) start-up incentives. Spending in PLMPs on the other hand consists of (i) unemployment insurance; (ii) unemployment assistance; and (iii) programmes for early retirement (OECD, 2007). Such a clear-cut differentiation does not often apply in developing economies, where income support programmes tend to target the most vulnerable groups in the population without a strict labour market conditionality.

⁶ See Bredgaard (2015) and Puig-Barrachina et al. (2019) for recent OECD country reviews.

Table 1: Classification of the main types of ALMPs and their overall purpose

Type of intervention and purpose	LMICs (ILO 2016 classification)	OECD countries (2006 classification)
<p>Training/retraining schemes (vocational, life skills, cash for training)</p> <p>Purpose: increasing labour supply</p>	<p>Training is the most common type of intervention providing workers with opportunities to acquire or improve their skill portfolios. In the context of LMICs, training programmes are usually accompanied by other <i>active</i> labour market policies such as public works and can also include <i>passive</i> labour market components such as income support. Training programmes tend to focus on groups who are harder to assist (ILO, 2016c)</p>	<p>The most important type of intervention in terms of expenditure. Often, training targets specific groups.</p>
<p>Public works (PWP) and Public employment programmes (PEP)</p> <p>Purpose: PEPs as a policy instrument have the principal objective of generating employment opportunities, whilst PWPs might place an equal or supreme importance to asset creation and service provision aspects (ILO, 2020b)</p>	<p>PWP is a key ALMP in LMICs and can also be regarded as part of social assistance systems (see Figure 1). Direct job creation policies through PEPs can be effective as they focus on building infrastructure, helping firms to overcome obstacles for innovating, growing and creating more jobs (McKenzie, 2017). They also provide income support to vulnerable groups against negative shocks and are often combined with other public interventions.</p>	<p>Since the 1990s, their importance is rather low, although they help to keep workers active in slow recovery periods.</p>
<p>Employment, wage or recruitment subsidies</p> <p>Purpose: to increase and change the structure of demand (by creating an incentive to hiring or maintaining jobs) through reducing labour costs</p>	<p>Focus on groups of workers with problems in labour market integration. Typically linked to other programmes e.g., hiring participants of anti-poverty programmes that targeted specific disadvantaged groups with poor labour market outcomes. These policies may also include specific conditionalities such as school attendance by beneficiaries' children.</p>	<p>They mostly target vulnerable groups and are often intensified during periods of limited labour demand. They may also include internships.</p>
<p>Self-employment and micro-enterprise creation</p> <p>Purpose: creating employment demand</p>	<p>The relative importance of entrepreneurship support (business training or financial support) and start-up incentives (e.g., cash and in-kind grants, and microcredit schemes), targeted at micro-entrepreneurs and small and medium firms is a distinctive feature of ALMPs in LMICs. These policies promote employment creation in both the formal and informal economy and target various populations. Sometimes, they are combined with income stabilisation and poverty reduction policies.</p>	<p>They are usually targeted at young and higher-skilled individuals.</p>
<p>Labour market services</p> <p>Purpose: contribute directly to matching of labour demand and labour supply</p>	<p>Include job search assistance, prospecting and registering vacancies, profiling job seekers, providing labour market information and intermediation through Public Employment Services (PES). In most LMICs, their role is limited due to public budget constraints.</p>	<p>Public Employment Policies (PES) and labour market services are crucial for an effective provision of ALMPs. They are provided directly by the public sector or in partnership with private actors. They are often combined with other ALMPs and linked to PLMPs.</p>

Source: Authors elaboration based on Malo (2018) citing ILO (2016c)

ALMPs have become more recurrent policy instruments since the adoption of the 1999 ILO Decent Work Agenda, with involved actors ranging from public and private employment services, training and higher education institutions, central and local governments, as well as civil society organisations. These actors play a critical role in the provision of skills training services, job search assistance and entrepreneurship support, where the purpose for the worker is to find employment or start up a business in e.g., the fast growing green or digital sectors.

2.1. ALMPs and social protection systems: An integrated approach

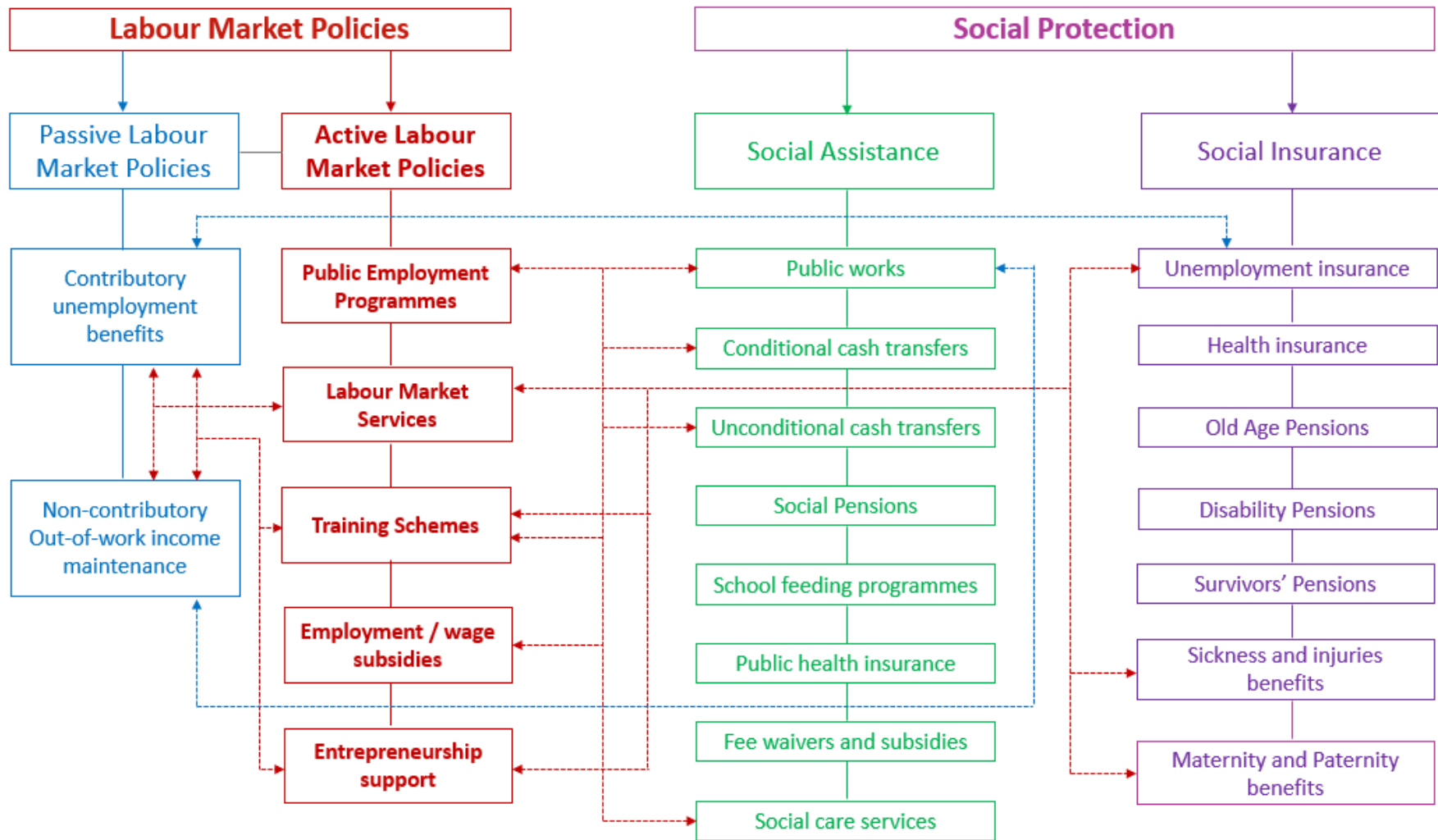
Since the turn of the century, social protection has become one of the most prominent policy tools against poverty, vulnerability, and life-course contingencies (Barrientos, 2011; Barrientos and Hulme, 2009; Niño-Zarazúa, 2019).⁷ Social protection policies include contributory social insurance and non-contributory social assistance programmes, which aim to protect vulnerable populations through child and family benefits, maternity protection, unemployment support, employment injury benefits, sickness benefits, health protection, old-age benefits, disability benefits and survivors' benefits. Contributory schemes include old-age pensions, disability pensions and survivors' pensions; unemployment insurance, sickness and occupational injuries benefits; maternity and paternity benefits and health insurance (see Figure 1). Non-contributory (tax financed and often aid-supported) schemes include conditional and unconditional cash transfers, non-contributory social pensions, public health insurance, school feeding programmes, public works, fee waivers and subsidies, and other type of social assistance such as social care services (ILO, 2017; 2021).

In the context of LMICs, ALMPs and social protection often intersect and are introduced as complementary policy instruments. For example, unemployment insurance benefits - often based on contributions by employers and employees - are provided to guarantee a minimum income and prevent unemployed workers and their families from falling into poverty. Beneficiaries are often required to enrol in labour market services, training schemes and even entrepreneurial support programmes to find employment while at the same time facilitating job search and retraining (see Figure 1 and ILO, 2021). Another example of ALMPs and social protection intersecting are public works which have been widely implemented among LMICs as part of both social assistance and public employment programmes, often in combination with training schemes. For instance, in Nepal, the Rural Community Infrastructure Work Programme offers job opportunities to unskilled workers in combination with skills development and training in asset generation. In the Philippines, the Integrated Livelihood and Emergency Employment Programme provides temporary emergency jobs to disadvantaged seasonal and displaced workers together with training in entrepreneurship. A third example is unconditional cash transfers combined with a training component, like in the case of Bhutan's Rural Economic Advancement Programme, which distributes a cash transfer to vulnerable populations together with productive assets, investments in housing and sanitation facilities as well as training and development skills to support income generating activities and food security. Thus, ALMPs are important tools in LMIC, as they facilitate skills upgrading, and employment.

⁷ Even the OECD maintains that social protection is itself a productive factor and, "if well designed, will have positive productivity effects associated with its funding" (OECD, 2007, p. 159).

The coordination between social protection benefits for the working-age population and ALMPs is critical to achieve and maximise potential social impacts from these policies whilst supporting the insertion of workers into the labour markets (Bista and Carter, 2017; Pignatti, 2016). Policy coordination is also essential when it comes to supporting life contingencies and work transitions, and addressing the needs of vulnerable populations, such as women with interrupted careers, young people, persons with disabilities, the working poor and low-skilled workers (Bista and Carter, 2017). As such, social protection benefits and training and employment services function in complementary fashion, fostering opportunities to acquire competencies that enable access to decent employment while ensuring a minimum standard of living. Such an integrated approach contributes to the better matching of skills in supply and demand as well as to improving employability of ALMP beneficiaries.

Figure 1: Labour Market Policies and Social Protection systems in LMICs



Source: Authors

Evidence also indicates that public expenditure on ALMPs correlate positively with the perception of employment security and job quality (Cazes and Nesporova, 2004), suggesting that such policies may have a positive impact on access to decent jobs, and on enabling workers in formal jobs to contribute to, and benefit from, social protection systems, whether contributory or non-contributory. The necessity of reinforcing the links between social protection and ALMPs has become even more pertinent in light of current demographic transitions, a rapid digitalisation of the economy and more recently, the COVID-19 pandemic that further exacerbated unemployment and underemployment, lowered labour incomes and increased working poverty and labour market informality (ILO, 2021).

At the same time, the COVID-19 pandemic has led to innovative policy actions and contributed to a clearer understanding of the synergies and complementarities of contributory and non-contributory social protection programmes and ALMPs. However, social protection and ALMPs cannot create decent jobs on their own but need to be closely coordinated with policies in other areas, including more general employment policies, employment protection legislation, minimum wages and collective bargaining (ILO, 2021). In LMICs with large informal labour markets, these systems often do not adequately interact with other types of public interventions (e.g. education systems), which potentially limit their reach and effectiveness. This is evident from the review of findings presented in Section 5, yet a few successful cases of ALMPs do emerge and in some instances, the mechanisms that enhance the effectiveness are uncovered.

3. Scale of active labour market policies in Asia and the Pacific

As mentioned earlier ALMP have gained relevance in recent years as a tool to address a wide range of constraints in labour markets, especially in the context of LMICs (Crépon and van den Berg, 2016; McKenzie, 2017). In Asia, public spending on ALMPs remains at the lowest level across world regions, with an average spending of about 0.19 per cent of GDP vis-à-vis around 0.24 per cent in Latin America, North America, and countries in the MENA region, which denotes a limited scale of ALMPs in Asian countries (Pignatti and Van Belle, 2021). Spending is higher in the Pacific region, about 0.3 per cent of GDP, in part due to spending and coverage levels observed in Australia and New Zealand. Indeed, the scale of coverage of ALMP in the countries for which information is available shows a significant level of heterogeneity, both across the Asia-Pacific region and within countries (see Table 2).

For example, while in Kyrgyz Republic and Vietnam, more than 23 per cent and 11 per cent of the population participate in ALMP, in Myanmar and Cambodia, just about 2 per cent and 1 per cent of their corresponding populations participate in ALMP. In countries like India and Armenia, ALMP reach urban populations twice as much as the rural populations, while in Bangladesh, Indonesia and Vietnam the presence of ALMP is stronger in rural areas than in urban settings.⁸

⁸ As indicated in the note to Table 2, ALMPs, according to the ASPIRE definition, do not include public works (which fall under social assistance). In the case of India for instance, the share of the population participating in public works and food for work amounts to 17.33 per cent for the poorest quintile and 12.19 per cent for the entire population. As seen in Table 1, according to the ILO categorisation, public works classify as an ALMP and thus are included in the review.

Table 2: Percentage of population participating in ALMPs, year averages over the period 2006-2019

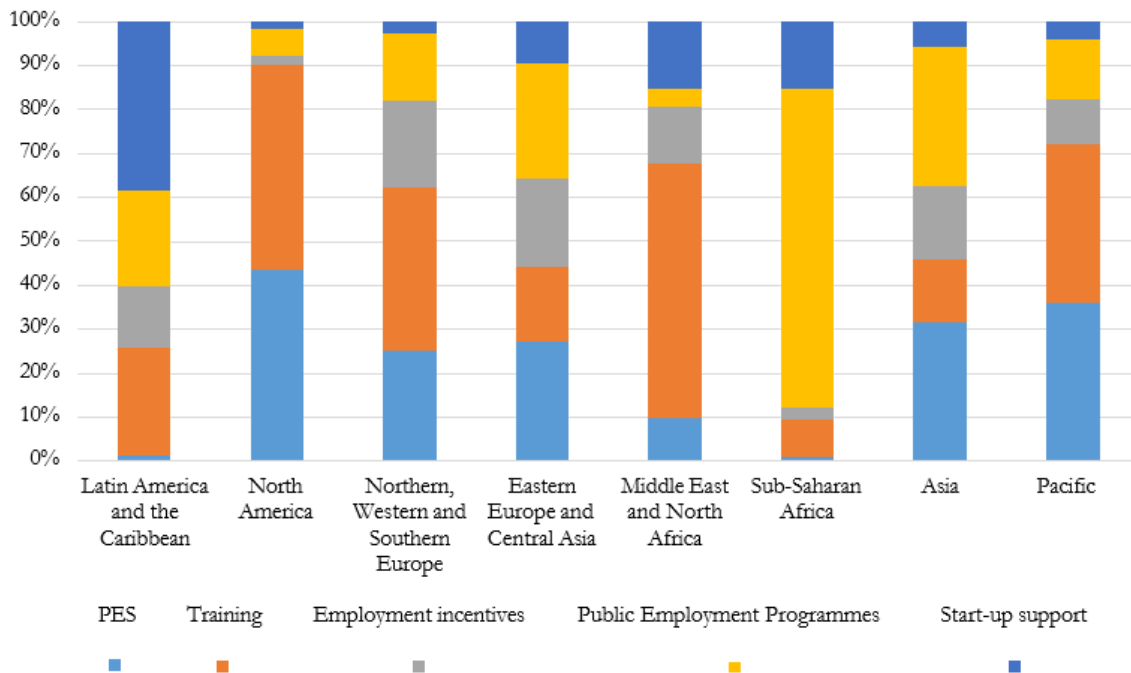
Country	National	Poorest quintile	Rural	Urban
Armenia	3.51	3.69	1.78	4.58
Azerbaijan	3.61	3.81	2.77	4.20
Bangladesh	4.32	3.81	5.17	1.94
Cambodia	1.22	0.56	1.27	1.02
India	4.00	1.73	2.43	8.42
Indonesia	5.62	4.79	7.48	5.33
Kyrgyz Republic	23.59	22.77	24.00	23.22
Mongolia	5.55	8.98	5.56	5.50
Myanmar	2.34	0.78	1.26	5.41
Pakistan	6.93	4.87	5.95	8.64
Vietnam	11.92	29.28	18.00	4.56

Source: Authors elaboration, based on ASPIRE (2021) database (countries for which information is available)

Note: The figures indicate the percentage of the entire population participating in ALMPs (includes direct and indirect beneficiaries) based on household surveys. It is important to note that the extent to which information on specific programmes is captured in the household surveys can vary a lot across countries. Often household surveys do not capture the universe of ALMPs in the country, at best only the largest (public) programmes. Under the ASPIRE programme classification, ALMP include i) training programmes (e.g., vocational, life skills, cash for training), ii) employment incentives and wage subsidies, iii) employment measures for people with disabilities, iv) entrepreneurship support and start-up incentives, including cash and in-kind grants and microcredits, and v) labour market services and intermediation through public employment services.

Furthermore, Pignatti and Van Belle (2021) report a considerable variation in the composition of spending on ALMPs across world regions. In Asia, they find that two-thirds of budgets are spent on Public Employment Services (PES) and Public Employment Programmes, whereas in the Pacific region, PES and training Schemes absorb about 70 per cent of public spending on ALMPs. Among developing regions, countries in Asia and the Pacific spend the smallest budgets on start up support (see Figure 2). The limited spending on training schemes is at odds with the large share of low-skilled workers employed in Asian economies, in particular among female workers in the South Asian region (see Figure A1 and Figure A2 in the Appendix), underscoring the need for more public resources devoted to upgrade the skills set of large segments of the workforce.

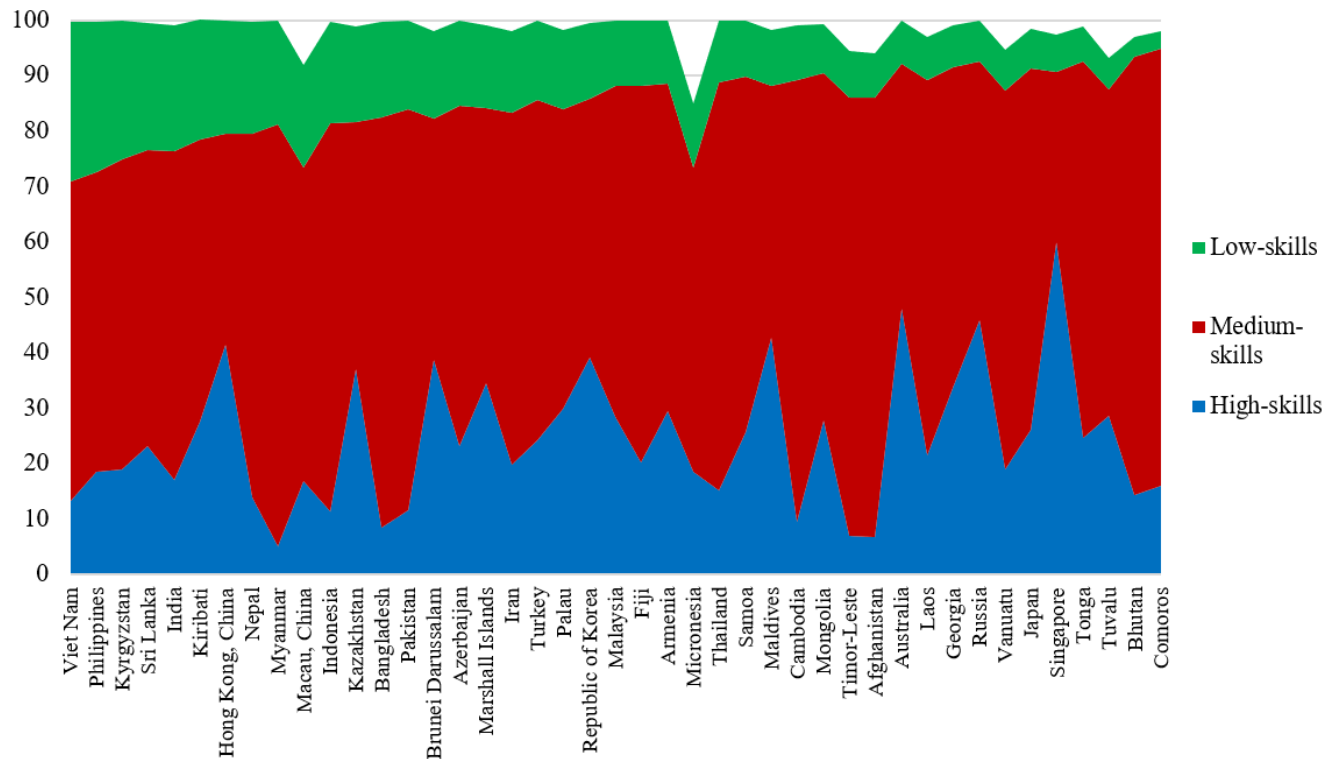
Figure 2: Composition of Public Spending on ALMPs across world regions



Source: Pignatti and Van Belle (2021)

The apparent mismatch of ALMPs not only reflects the diverse levels of state capacity to respond to the complex structural composition of the labour markets, but also the prevailing deficits in the skills composition of the workforce, and the divergent shifts in the quality of productive employment that many countries have observed in the past decades (Felipe et al., 2012; Kanbur et al., 2014; Packard and Van Nguyen, 2014). Indeed, while a handful of countries such as Singapore, Australia, Russian Federation, Maldives, Hong Kong, China and Republic of Korea have over 40 per cent of their employed population engaged in high-skills occupations, other countries such as Cambodia, Bangladesh, Timor-Leste, Afghanistan and Myanmar have that share below 10 per cent. Furthermore, several countries including Vietnam, the Philippines, Kyrgyzstan, Sri Lanka, Nepal and India have more than 20 per cent of their employed population engaged in low-skills occupations, which are largely undertaken in the informal economy (see Figure 3).

Figure 3: Employment in Asia-Pacific by skill composition



Source: Authors elaboration, based on ILOSTAT (2022) with data from 2020.

Note: According to ILOSTAT employment comprises all persons of working age who during a specified brief period, such as one week or one day, were engaged in any activity to produce goods or provide services for pay or profit. They comprise the following categories: a) paid employment (whether at work or with a job but not at work); or b) self-employment (whether at work or with an enterprise but not at work). Thus, employment includes all those who are employed irrespective of formality. We follow the International Standard Classification of Occupation (2008) to include high-skills occupations such as managers, professionals, technicians and associate professions. Medium-skills include clerical support workers, service and sale workers, skilled agricultural workers, plant and machine operators and assemblers, and craft workers whereas low-skills include elementary occupations.

The scale of the informal economy in many LMICs and the slow pace of labour market transformation towards sectors of activity with competitive specialisations and high productivity, remains a challenge for several countries in the Asia-Pacific region (see Table A1 in Appendix A, and also Jorgenson et al., 2007; Lee and McKibbin, 2018). While a small number of countries such as China, Japan, the Philippines, Thailand and Vietnam have made progress towards the development of the digital economy (World Bank, 2019), economic activities associated with these emerging sectors remain small, providing a marginal contribution to total employment in most countries (see Table 3).

Table 3: Contribution of sectors of activity in the Digital Economy to total employment in Asia-Pacific

	Manufacturing of computer, electronic and optical products	Telecommuni- cations	Computer program- ming, consultancy and related activities	Information ser- vice activities	Total
Armenia	0.00	0.57	0.59	0.09	1.25
Bangladesh	0.03	0.14	0.03	0.04	0.23
Brunei Darussalam	0.00	1.11	0.41	0.00	1.53
Cambodia	0.05	0.02	0.08	0.12	0.27
India	0.15	0.14	0.58	0.16	1.03
Indonesia	0.16	0.30	0.04	0.02	0.52
Iran	0.16	0.39	0.25	0.05	0.85
Japan	1.24	0.23	1.47	2.58	5.52
Mongolia	0.00	0.66	0.21	0.06	0.93
Pakistan	0.05	0.25	0.10	0.00	0.40
Philippines	1.02	0.40	0.25	0.12	1.80
Sri Lanka	0.07	0.16	0.29	0.16	0.68
Thailand	1.05	0.20	0.16	0.03	1.44
Timor-Leste	0.00	0.00	0.00	0.00	0.00
Turkey	0.23	0.25	0.41	0.04	0.93
Vietnam	1.77	0.30	0.18	0.02	2.26

Source: Authors elaboration, based on ILOSTAT (2022) with data from 2020 or latest available information.

Note: Sectors of activity were selected based on the OECD (2017)'s Survey on Digital Economy Typology

Furthermore, automation, robotics and advances in artificial intelligence (AI) in manufacturing and services are accelerating a premature deindustrialisation in LMICs, which is likely to impact negatively low- and medium-skilled workers disproportionately more than high-skilled workers (Rodrik, 2016; Autor and Salomons, 2018; Acemoglu and Restrepo, 2018). Thus, developing well-functioning ALMPs, in combination with higher education and social protection systems, are key to facilitate a continuous upgrading of skills in the labour force, and improve the job-matching mechanisms between workers and employers. In the next section, the methodology employed to conduct the scoping review is presented and discussed in more detailed.

4. Methodology

In reviewing the literature, a systematic scoping review methodology was adopted. At a general level, “scoping studies aim to map *rapidly* the key concepts underpinning a research area and the main sources and types of evidence available and can be undertaken as stand-alone projects in their own right, especially where an area is complex or has not been reviewed comprehensively before” (Mays et al., 2001, p. 194 emphasis in original). Compared to a systematic review which typically focuses on a well-defined more specific research question, where appropriate study designs can be identified in advance, a scoping study tends to address broader topics where many different study designs might be applicable (Arksey and O’Malley, 2005). Given that the method adopted for identifying literature in a scoping study aims to achieve both broad and in-depth results, the scoping study technique seemed to be most appropriate in mapping the literature on the effectiveness of ALMPs in LMIC. In aiming for a broader coverage of the available literature, a scoping study may be less likely (compared to a systematic review)

to assess the quality of included studies, however in our case the selection process set out *not* to compromise on the quality of included work through developing critical selection criteria (Waddington et al., 2012), as outlined in the following sub-section. Moreover, even though the reporting of findings (Section 5) is not overloaded with technical details, such information (sample sizes, magnitude, statistical significance and methods used) is systematically provided in the review matrices (in Appendix B), where the results are split between major study findings and statistical significance per region.

There may be several aims associated with undertaking a scoping review, yet for the purpose of this study, the two main objectives are i) to describe the findings and range of research on the effectiveness of ALMP in LMIC by summarising research findings by programme type and regional groupings, and (ii) to identify the mechanisms and conditions that underpin the effectiveness of ALMPs in LMIC. Meeting these objectives will enable us to answer the general research questions outlined in Section 1. The process of the scoping review is outlined in the following sub-section, followed by a brief description of the studies included.

4.1 The search protocol

The search for relevant studies was formally conducted during February 2022. The search protocol for the identification and selection of studies followed three stages. First (*identification*), categories of ALMP led to the creation of key search terms, phrased according to ILO definitions and ASPIRE programme classification, such as “active labour market policies OR programmes”, “employment incentives”, “wage subsidies”, “employment subsidies”, “cash grants”, “vocational training”, “public works”, “employment guarantee scheme”, and “labour market services” which were combined using Boolean operators in database repositories including Web of Science, EconPapers, and NBER.⁹ The search was also carried out in Google Scholar to identify any ‘grey literature’ (e.g. working papers) and the execution of queries led to 524 initial results.¹⁰ Following the identification of relevant studies through the databases and to verify our sample a ‘snowballing’ search technique to inspect the reference lists (cross-referencing) of five previously published reviews¹¹ and meta-analyses conducted on the effectiveness of ALMP in low- and middle-income countries was adopted to ensure that our review did not omit any critical publications. This resulted in a further 194 sources amounting to a total starting sample of 718 studies. Since most existing reviews still largely focus on OECD countries, only a few of their sourced studies focus on low- or middle-income countries. An exhaustive sample of studies was created by Card, Kluve and Weber (2018), itself an extended version of an already extensive sample created by them earlier (Card et al., 2010). Though it contains relevant studies for low and middle-income countries, it still carries a strong OECD focus. The spatial exception of such reviews was composed by Ibarra and Shady (2009) and Escudero et al. (2019), focusing their sample on Latin American countries, and McKenzie (2017) specifically targeting low and middle-income countries. Search parameters were restricted to the time frame 2000-2022 due to absence of solid impact studies pre-dating 2000, yet in some cases the data originated from years prior to 2000. The search was conducted for English-language sources only.¹²

⁹ See Table 4 for the different categories of terms applied, including relations and equivalency.

¹⁰ For documentation of search queries see Niño-Zarazúa and Torm (2022)

¹¹ Meta-analysis by Card, Kluve and Weber (2018), and reviews by Escudero et al. (2019); Ibarra et al. (2009), McKenzie (2017), and Quinn and Woodruff (2019).

¹² Screening by English language publications excluded only 10 publications.

Table 4: Search terms

Category	Synonyms	Additional terms	Related terms
labour market services	counselling	job search _	intermediation through PES
	assistance information courses guidance	(job) placement _ (job) interview _ (job) vacancy _ unemployment _ _ during periods of unemployment (employer/job) matching _	job search monitoring transport subsidy (hard/soft) skill certification job fair connecting to recruiters reference letter encouragement job clubs
Category	Synonyms	Additional terms	Related terms
Training	Coaching Courses	vocational _ vocational skills _ on-the-job _ life skills _ business management _ business operation _ business expansion _ asset specific _ financial literacy _ Retraining	job internship (multifaceted) ‘graduation’ programs entrepreneurship track language courses learning marketing learning record keeping learning financial planning
	employment incentives wage subsidies	Incentive Subsidy	subsidised private sector _ subsidised public sector _ (public/private) wage
direct employment in public sector	public works		employment guarantee scheme
entrepreneurship support Start-up incentives	Grants asset transfer Credit micro-enterprise own-account self-employment	micro-_ provision of _ _ creation creation of _	cash grants in-kind grants entrepreneurship track (small) loans
employment measures for vulnerable people	disadvantaged	Disabled Youth Women	rural _
labour market services	counselling	job search _	intermediation through PES
	assistance information courses guidance	(job) placement _ (job) interview _ (job) vacancy _ unemployment _ _ during periods of unemployment (employer/job) matching _	job search monitoring transport subsidy (hard/soft) skill certification job fair connecting to recruiters reference letter encouragement job clubs

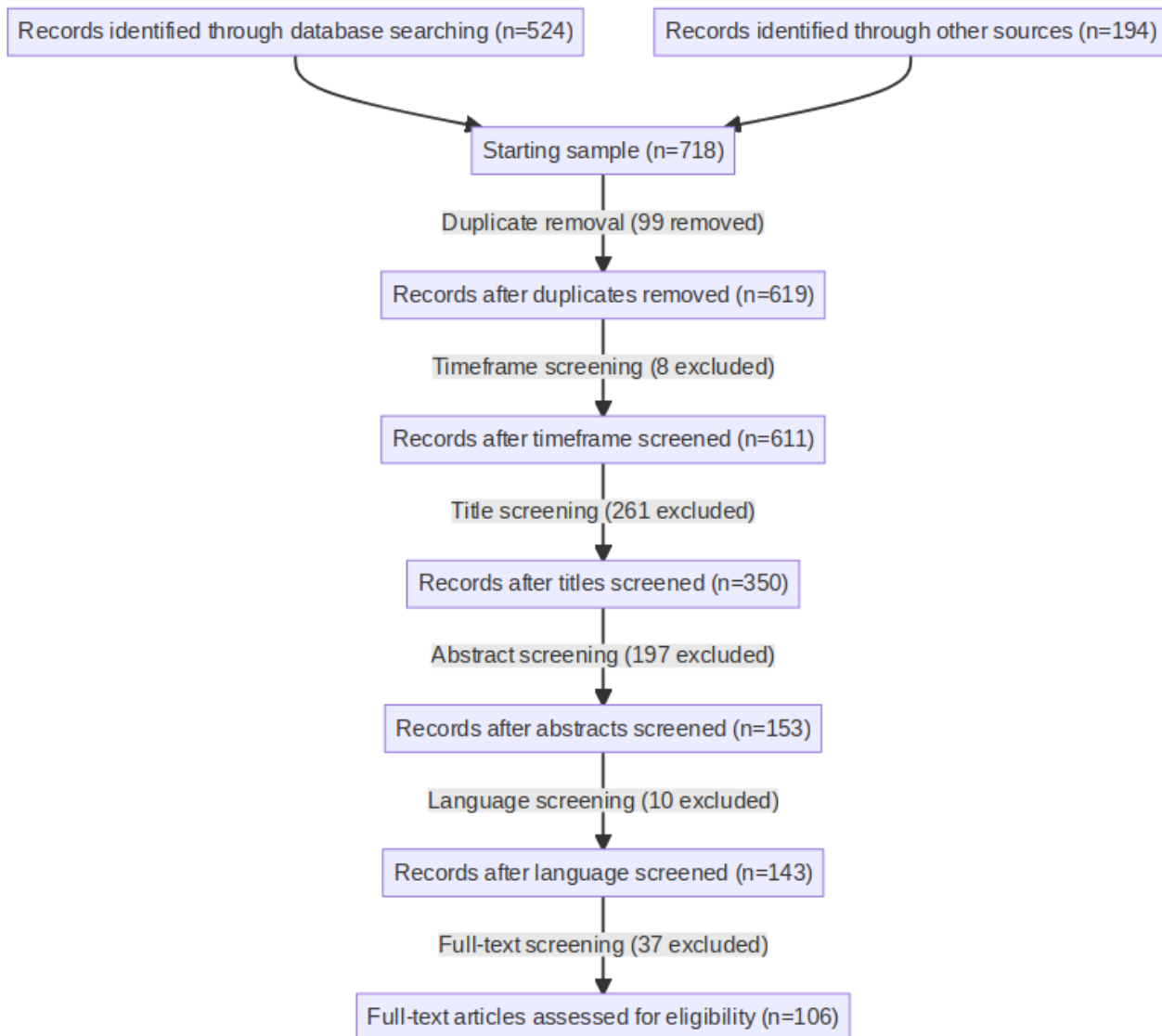
Source: Authors elaboration based on ILO definitions and ASPIRE programme classification.

Second (*screening*) during the screening process, duplicates were removed, and the sample of literature was screened by time-frame, title, abstract, full text, and supersession (grey literature by white literature) to assess the suitability of the studies for review.¹³ Strict narrowing inclusion/exclusion criteria were applied to include only studies i) looking at low and middle-income economies (with synonyms) ii) applying appropriate, predominantly quantitative methods to examine specifically the effectiveness of ALMP.¹⁴ A system of keywords (tags) per study was utilised to facilitate these exclusions, with keywords following the name of its criterion. Literature screened thus received a tag with the label ‘excluded::timeframe’, ‘excluded::title’, ‘excluded::abstract’, ‘excluded::superseded’, or ‘excluded::full-text’. The tagging system was further employed to categorise and prepare literature that did not already fall under exclusion criteria through a ‘country::<name>’ tag describing the primary country of analysis, as well as a regional and an income tag. The regions, using UN regional classification, are tagged with ‘region::<abbreviation>’: LAC for Latin America, AP for Asia and Pacific, MENA for Middle East and North Africa and SSA for Sub-Saharan Africa. Studies are also tagged with ‘income::low-medium’ or ‘income::high’, depending on their income classification (UNESCAP, 2017; World Bank, 2017). If a study put emphasis on the connection between ALMP and SP it is tagged as ‘social protection’. Lastly, if a specific intervention clearly provided the central focus of a study, it is tagged with ‘program::<name>’. In terms of the types of publications, peer-reviewed journal articles, selected working papers and book chapters were included, whilst non-academic documents such as reports, policy briefings, and master’s dissertations with no clear methodological basis, were excluded from the review. The *identification* and *screening* processes removed 612 sources in the end, 106 publications were selected for full-text analysis and review with the aid of a programmatic categorisation tool for generating impact matrices and the Zotero reference manager. Figure 4 summarises the screening process flow including the number of publications removed at each step.

¹³ Section 5 attempts to prioritise papers that study ALMPs in countries that are comparable to AP countries (and following UNESCAP guidelines).

¹⁴ Six papers identified as immediately relevant in topic and approach but relying solely on qualitative methodology are also included in the review.

Figure 4: Screening process flow



Source: Authors

Third (*extraction*), after the process of full-text screening and the ingestion process from the final sample of 106 studies, all relevant information was extracted into separate impact matrices by region with one matrix per region containing major study findings, while the other contains information on the studies' statistical significance.¹⁵ In addition to general categorisation of the studies, the matrices list identified outcome measures such as: “employment probability”, “unemployment reduction”, “labour market participation”, “earnings”, “formal employment” (see Table 5) as well as the main arguments/findings and channels of the assessed impact. In the matrices fields marked ‘nr’ were either not applicable to or not mentioned in the study in question. Before turning to the synthesis, the next sub-section presents a brief description of the studies included in this review.

¹⁵ For the complete set of impact matrices see Appendix B in Niño-Zarazúa and Torm (2022). Note that in the matrices significant (sg) ≤ 0.05 , marginally significant (msg) ≤ 0.1 .

Table 5: Outcome categories and interchangeable terms

Category	Interchangeable Terms	Related terms
employment probability	employment generation / creation increasing employment	
unemployment reduction	reduction of unemployment	
labour market participation / labour supply	labour force participation rate increase of labour force participation/employment rate reduction of unemployment rate	underemployment
earnings	monthly income income improving equity	reducing poverty real hourly wages
formal employment	formal earnings switch from informal to formal employment	enhancing job mobility enhancing job quality excessive working time

Source: Authors elaboration based on ILO definitions (ILO, 2016c, Chapter 2)

4.2 Description of Studies

The studies included in this review primarily stem from within the disciplines and fields of economics, development studies and public policy. They all interrogate a single or multiple programmes falling under ALMP using quantitative methods, and sometimes supplementing their analysis with more qualitative methodologies. As mentioned earlier six papers that rely solely on qualitative methodology are also included in the review as deemed immediately pertinent. The studies almost exclusively focus on a single country and overwhelmingly on a respective nationally run programme within those countries. Out of the total 106, the Asia Pacific region consists of 35 studies, Latin America of 35 studies, MENA of 9 studies, and Sub-Saharan Africa of 27 studies. Keeping in mind that the different regions vary substantially in number of countries, the spread of studies also reflects the extent and scope of ALMPs and available data and research protocols in the studied programmes. Table 6 summarises the key characteristics of the 106 studies reviewed and this disaggregation reveals quite some spread along most dimensions including the type of ALMP, outcome category, target group and evaluation period considered.

Table 6: Characteristics of the studies reviewed

Descriptive Statistics					
Publication Type	n	%	Evaluation of ALMP	n	%
Article	77	72.6	Experimental	44	41.5
Working Paper	29	27.4	Quasi-Experimental	60	56.6
			Natural Experiment	2	1.9
Year of Publication	n	%.	Target subgroup	n	%
<=2000	1	0.9	Youth	44	41.5
2001-2005	6	5.7	Low-income	6	5.7
2006-2010	16	15.1	Rural	4	3.8
2011-2015	27	25.5	Women	10	9.4
2016-2020	42	39.6	Unemployed	17	16.0
>=2021	14	13.2	Employed	6	5.7
Outcome Category	n	%	Type of ALMP	n	%
Earnings	68	64.2	<i>Demand-side:</i>		
Employment probability	61	57.5	Public works	17	16.0
Employment outcomes	39	36.8	Employment subsidy	25	23.6
Individual welfare	10	9.4	Self-employment/Micro-enterprise	12	11.3
Societal outcomes	8	7.5	<i>Supply-side:</i>		
			Training schemes	68	64.2
			<i>Intermediation:</i>		
			Labour market services	12	11.3
Region of ALMP	n	%	Largest evaluation period	n	%
AP	35	33.0	Follow-up <= 1 year	40	37.7
LAC	35	33.0	Follow-up > 1 year <= 2 years	33	31.1
SSA	27	25.5	Follow-up > 2 years <= 4 years	22	20.8
MENA	9	8.5	Follow-up > 4 years	11	10.4

Source: Authors elaboration

In addition to the characteristics presented in Table 6, certain regional trends emerge. Whereas impact studies in Latin America have been steadily produced since the beginning of the 21st Century, in the Asia-Pacific region, studies have started to be produced roughly ten years later and only really picked up in volume recently. In sub-Saharan Africa, there has generally been a large emphasis on qualitative studies before more quantitative impact studies appeared, and in the MENA region, quantitative impact studies are especially still far and few between. Both in sub-Saharan Africa and Latin America the largest portion of studies primarily focuses on the ‘youth’ as its target population, whereas the spread is wider in Asia-Pacific, with major focus being on women, older workers, and rural households. In the MENA region, there is a split between a focus on youth and women in the studies. At sub-regional level, there are clear centres of focus visible with South Africa and Ethiopia receiving the most analytical scrutiny in sub-Saharan Africa, though in recent years more studies take a focus on Uganda. In Latin America there is a more balanced spread between different countries. In Asia Pacific the overwhelming majority of studies focus on India (and mostly the public works scheme NREGS), with studies on for instance Russia and other ex-Soviet Union countries often only accessible in Russian.

Generally, the studies analyse their target programmes for an overall positive or negative impact, made conditional on a variety of additional factors. The majority of studies finds some positive aspect

associated with their programme under study, though significant positive aspects are in many cases contingent on a specific target population or time frame of programme and evaluation, so that cautiously positive study results outweigh.

5. Synthesis of evidence

5.1 Supply-side measures

As seen in Section 2, one of the most common ALMP towards enhancing labour supply are training schemes (vocational, on-the-job training, life skills, retraining, cash for training etc.) which according to human capital theory (Becker, 1964) have significant positive effects on labour market outcomes such as employment, earnings and labour force participation, by providing workers with opportunities to acquire or improve on their skill portfolios. In the context of LMICs, training programmes are sometimes accompanied by other active measures such as employment subsidies, vouchers or cash grants or implemented in conjunction with demand driven ALMPs (i.e. public works) and/or combined with some type of income support (PLMP). The following summarises the evidence by regions, including cases where training programmes have been combined with other ALMP and/or social protection programmes, starting with Asia-Pacific, followed by Latin America and the Caribbean, sub-Saharan Africa and the MENA region.¹⁶

5.1.1 Asia and the Pacific

For the AP region around half of the studies on ALMP look at outcomes associated with training. In South Korea Lee et al. (2019) find that vocational and on-the-job training has strong positive effects on earnings and individual employment probability, with increasing effects in cohorts over 56 years. Looking specifically at youth (in South Korea) Choe et al. (2015) show higher employment probabilities for school dropouts after passing a 12–15 week training programme threshold. However, the human capital accumulation effect seems to be subject to diminishing marginal returns as the higher employment probabilities (for completers) decline with longer programme durations. Also, looking at youth labour market outcomes, evidence from Nepal reveals that, vocational training leads to a 10 per cent increase in non-farm employment, and increased monthly earnings mostly driven by women starting self-employment which indirectly helps circumvent restrictive social norms for women (Chakravarty et al., 2019). The low baseline educational and non-farm employment levels explain the relatively large impacts observed.

Focusing on women, Maitra and Mani (2017) provide evidence from a randomised evaluation of vocational training for low-income women in India during 2010-2012. They find that women are 6 per cent more likely to be employed, 4 per cent more likely to be self-employed, work 2.5 hours more per week, earn 150 per cent more per month, and the findings hold in the short and medium-term (6 and 18 months after treatment). The study suggests that it is primarily direct skill accumulation which led to the necessary knowledge and productivity for improved labour force participation, whilst neither a strong change in behaviour nor a certificate (signalling) effect for employers were the primary channels. Also

¹⁶ Working papers that are considered particularly relevant are generally included in footnotes

in India, Jain et al. (2019) find that offering subsidies increases probability of training participation (in English courses) by beneficiaries overcoming barriers to training take-up like distance to training centre, pre-existing spoken English knowledge, past enrolments in language training etc. Moreover, the effect of the full subsidy is larger than the partial subsidy, indicating an economic barrier to programme participation as well.¹⁷

In Pakistan, Ahmed (2019) shows that vocational training is associated with an increase in employment, earnings and start-ups for Afghan refugees, as a result of the economic liberty gained through skill upgrading. In addition, the training increased socio-economic cohesion which is important for a minority population. Also in Pakistan, Chamadia et al. (2021) find that vocational training leads to increased earnings yet point to potential institution selection bias issues, since there is only one single institute which is focused on highly in-demand industrial skills. Thus, although providing an example of success, the selection bias may also hinder broader replicability.¹⁸

In Vietnam, Bjerger et al. (2021) use a matched employer-employee panel dataset to show that on-the-job training is associated with around 12 per cent higher wages for trained women as compared to both untrained women and men, indicating that training increases women's labour productivity and thus contributes to closing the gender wage gap. Also, in Vietnam and based on national surveys Do et al. (2020) find that vocationally trained workers in ethnic minority areas gain higher wage opportunities due to increased general technical qualifications. Comparing between the genders, the same vocational training level brought higher wages to female workers than to male workers, which is explained by male workers preferring temporary labour over more permanent factory work, which in turn is more prevalent among female workers.

Distinguishing by education levels, Vandenberg and Laranjo (2021) show that training graduates in the Philippines increase their employment probability and receive higher wages compared to only secondary education without training. Also, training graduates with previous tertiary education tend to have *lower* wages than graduates with only secondary education, which is presumed due to the formers' tendency to only complete a short period of tertiary training and the lowest level of their vocational training, thus suggesting a link between training duration and graduate earnings. Differentiating by types of training including provider, an earlier survey-based study of 450 predominantly unemployed youth in the Philippines (Abdelkarim, 1997) finds that private training is overwhelmingly perceived as preferable to training through public institutions and within-enterprise training is preferable to off-enterprise training.

¹⁷ Looking specifically at female garment industry workers in India, Adhvaryu et al. (2018) find that on-the-job soft skills training leads to productivity increases (20 per cent) but little effect on wages (0.5 per cent). The productivity increases stem from soft skill upgrading which also furthers positive increases in technical skills, and there are spill-over effects for untreated workers on the same production line. However, since the productivity increases translate to negligible effects on earnings and job retention due to market imperfections, the study argues that most gains are captured by the firm instead (*NBER working paper*).

¹⁸ Providing an example of a failed intervention in Pakistan, Cheema et al. (2014) find negative effects of a vocational training subsidy in terms of the participation rate. However, the study points out that the societal outcomes can still be significant, with higher political voting favour for the ruling party, as well as additionally increased pro-social engagement and government service use. While these findings apply to men in the study, women had the opposite outcome, with a decrease in both. The study suggests this gender heterogeneity may stem from the value of courses on offer during the failed ALMP programme being primarily targeted, designed for and by, men and (inadvertently or otherwise) proving inadequate for women's welfare. The authors conclude that the attempts to meet social welfare goals by the government might be as important as the actual outcomes of its programmes, in people's perception. (*CID working paper*).

There are also highly regionalised differences in the training extent. The study includes formal and non-formal training, yet results recorded here align to non-formal variant.¹⁹

In the case of Turkey, Hirshleifer et al. (2016) also argue that private courses may offer better results due to being more responsive to the labour market and employer demands and operating with more competition, which requires higher quality courses. Using combined surveys and unemployment panel data, the study finds a short-term (first year) positive impact of training on the employment probability and quality of employment, though the effect dissipates after three years. Due to the diminishing medium-term impacts, further analysis deems the programmes' benefits not exceeding their costs, which does not support scalability. In the case of Russia, Denisova and Kartseva (2010) find that retraining has no statistically significant impact on either earnings or employment probability overall, though with some heterogeneity with older beneficiaries (aged >45 years) seeing a positive impact and younger ones (<25 years) a negative impact. Moreover, disabled individuals experience a significant increase in employment and earnings (in one region). The study also mentions how the retraining facilitated the transition from post-soviet bureaucracy into digital upskilling.

Notwithstanding these generally positive findings, when combined with other interventions the training results are more mixed. In Kazakhstan, Bhanot et al. (2021) examine the effect of cash grants (PLMP) combined with soft/life-skills training for young people. Generally, the programme did not prove useful for building social capital among beneficiaries and shows evidence of slightly adverse effects on labour market participation, as youth who participated in the intervention were less likely to report engagement in economic activity and had a lower level of income. A possible channel is youth shifting their preferences towards self-employment and away from the labour market, which is in contrast to the theory of change (TOC) envisioned by the programme organisers.²⁰ The authors conclude that directly subsidising youth community service – a popular public policy tool designed to build social cohesion – may in fact be *ineffective* in enhancing pro-social attitudes or behaviours.

In the case of Papua New Guinea, Hoy and Darian (2019) find that while single-component ALMP have little to no impact, combining two or more ALMP components increases their effectiveness. More specifically, youth that completed the more comprehensive ALMP package (public works, vocational training, job-matching, and an employment subsidy) were about twice as likely to be formally employed 9-12 months after completion, compared to those that just did public works participation. This was driven by 20 per cent of participants staying with the employer they were placed at through the ALMP, whereas for those not staying with employers, their employment probability did not increase, suggesting that employers use the ALMP as a low-cost, low-risk and low-effort way of hiring new employees. The authors argue that it is precisely the comprehensive nature of the ALMP component that is driving the positive results.²¹

In sum, the evidence from AP shows that training is generally associated with positive LM outcomes although displaying substantial variation across different groups, durations, as well as quality and types

¹⁹ This study from pre-2000 has been included exceptionally due to the interesting aspects it reveals.

²⁰ However, there is no visible increase in self-employment after the treatment, which the study suggests may be due to additional barriers hindering the switch to self-employment.

²¹ They also point out that the positive outcomes are contrary to the bulk of existing evidence showing ALMPs to have little or no effect on employment, referring to the review study by McKenzie (2017) which argues that ALMPs are much less effective than policymakers typically assume (since many evaluations find no significant impacts on either employment or earnings).

of training programmes. The evidence also points to the importance of considering separate categories of training programmes by distinguishing between different kinds of training, provider types and programme durations, as well as looking at gender/youth/educational splits to get more specific and robust results.

5.1.2 Latin America and the Caribbean

For the LAC region most studies on ALMP look at the outcomes associated with different types of training instruments across different groups. Starting with a series of studies on Argentina, Almeida and Galasso (2010) analyse the effect of a *combined* cash grant and training programme targeted at people wanting to be self-employed under the programme 'Jefes'. They find no significant impact on the earnings of beneficiaries in general, yet a reduced probability of holding an outside job and increased total hours worked, suggesting that participants are hanging on to alternative income sources while waiting for the earnings from their self-employment to stabilise (whilst reinvesting any possible income gains from the self-employment activity to increase its sustainability). The study also found evidence of a self-selection mechanism with predominantly female household heads and more educated individuals attracted to the type of programme on offer, which might also explain the positive effects on earnings for the more educated (younger) beneficiaries.

Looking specifically at the effect of vocational training ('entra21') on unemployed youth in Cordoba (Argentina), Alzúa et al. (2016) find a short-term positive impact on formal employment and employment probability (with a larger effect for men), yet the effect dissipates over the medium - (33 months) to long-term (48 months).²² The study also sees a positive effect on earnings which it puts down to higher overall employment levels. Digging deeper into the mechanisms, the study suggests that the programme increases the chances of young people keeping their (provided internship) job, and/or increase their wages within it over time, though it may not necessarily help many find a new job over time. While the programme is more expensive than similar programmes in the region, the sum of the cost-benefit analysis is still positive, seeing financial expenses recouped after 26 months.

An example of a less successful Argentinean programme is the *combined* employment subsidy voucher and training programme 'Proempleo' evaluated by Galasso et al. (2004) who find that the voucher (partial treatment) had a significant positive impact on employment probabilities whilst training on top (full treatment) did not, and neither of the treatments significantly affected participants' earnings. As in similar studies there was quite some heterogeneity in the outcomes, with training having some positive impact for people with already higher education, and the overall treatments having much larger effect for women. Most employments found were in temporary/informal work, implying that although the programme allowed some to make a transition into waged employment, ultimately the programme did not succeed in achieving its overall objectives.

Providing further evidence of the mixed outcomes when looking at ALMPs (vocational training, internships, labour market services and employment subsidies) integrated with conditional cash transfers in Argentina's 'Seguro de Capacitación y Empleo' programme Mourelo and Escudero (2017) find no significant impact on employment probability, yet significant positive short-term impacts on earnings

²² The rise in formal employment was also seen in an earlier study by Alzúa and Brassiolo (2006), evaluating the *Proyecto Joven* vocational training programme (*IADB working paper*).

and job quality, especially the tendency to be employed formally, echoing other similar studies. Again, there is heterogeneity in the findings in that, firstly, younger beneficiaries generally experience more significantly positive impacts, however, secondly, women see no significant improvements at all for their employment outcomes. Since they correct for observable heterogeneity, the authors stipulate that this could be due to the difficulty in identifying gender specific variances in participating in different ALMP components or underlying structural gender gaps (unobserved heterogeneity).

Looking at the effects of ‘Jóvenes en Acción’, a vocational training programme for disadvantaged youth in Colombia, Attanasio et al. (2017), in a follow-up to an earlier study by the same authors (Attanasio et al., 2011), find an increase in i) formal employment sustained for men and women without fading over time, ii) average formal earnings for both genders (especially women); iii) job quality (measured as the probability of working in a large firm) and iv) increased pension and other social programme contributions (likely linked to iii). The long-term sustained positive effects seem to imply a cost-effective programme at the very least to increase relative formal employment (and as a result social protection), however, since no data has been collected on the informal sector, in theory, the positive formal sector effects could be precluded by negative informal sector impacts.

Analysing Dominican Republic’s youth training programme ‘Juventud y Empleo’, Card et al. (2011) find no significant impact of vocational training on hours worked or employment probability, yet a modest increase in earnings through wages per hour was determined.²³ Looking at the same programme Ibarra et al. (2014) come to similar results with no overall significant impact on employment probability for the treatment group receiving vocational training and on-the-job experience through an internship. However, for men there is a significant positive impact on job formality (measured through provided health insurance) and for participants already employed, a significant positive impact on earnings. In a long-term (6 years) follow-up study of the ‘Juventud y Empleo’ training programme in the Dominican Republic, Ibarra et al. (2019) reassuringly find that initial gains in formal employment, after overtaking the control group near the end of the programme, steadily increase and become significant over the long-term for men and for participants living in urban environments, suggesting a lock-in effect for this segment. For women living in urban environments there are medium-term positive increases in earnings, but they vanish in the long-term. As in Card et al. (2011) and Ibarra et al. (2014) there are no significant impacts on overall employment probability nor earnings. Aside from labour market outcomes, the study reveals significant positive impacts on participants’ future expectations and welfare perceptions, with larger impacts for women. The study suggests that the programme is working especially well in dynamic local contexts and where the trained skills match labour demand.²⁴

Distinguishing by different types of vocational training (either focusing on social skills, technical skills, or no training at all) in Colombia, Barrera-Osorio et al. (2020) show that any vocational training increased formal employment, but emphasis on technical skills increased overall employment (as well as hours worked), whereas emphasis on social skills increased long-term sustained employment and earnings.

²³ It is of note that the study suffered from a design issue, which, although accounted for, could potentially decrease the explanatory power (*Journal of Labor Economics*).

²⁴ Partly echoing these results in another study of the ‘Juventud y Empleo’ programme, Acevedo et al. (2017) show that, over the short-term, women saw improved labour market outcomes while males did not, and in fact had worsened outcomes after vocational training. Again, the differences are down to different expectations which did not vanish over long-term (unlike labour market outcome differences). More specifically, the programme sees an improved long-term skill acquisition, self-esteem generation and lowered fertility rate for women, while men had sustained negative impacts on long-term expectations and welfare (*NBER Research paper*).

Moreover, offering subsidies (transport or food subsidies) significantly increased the overall effectiveness of the offered programmes by lifting participants resource constraints. In terms of gender differences, men were significantly more impacted by increased employment probability and earnings, even though increased formality and hours worked held true for both men and women, indicating other gender-based barriers to employment, such as lack of sufficient childcare opportunities, although the study does not offer any gender-based policy recommendations. Also in Colombia, separating by different types of vocational training providers and analysing their earnings impacts, Medina and Nuñez (2005) arrive at the conclusion that generally private training is better from a cost-benefit perspective, whilst public institutions aside from SENA ('Servicio Nacional de Aprendizaje') the largest public training provider in the country) hold more potential than SENA itself. Again, there is heterogeneity in the findings with significant gender-based differences. Private training had significant long-term impacts for all adults, yet it was significant in the short-term only for women, though for the youth segment only it was significant also for men. By contrast, public training had no significant impact on men or women trained at SENA, but a significant long-term impact for women trained elsewhere.

Also providing evidence of substantial gender-based differences, the analysis by Nopo, et al. (2008) of the Peruvian youth training programme 'ProJoven', find that there are significant positive impacts on women's employment probability (also after 18 months) and large impacts on their earnings, while for men, there were smaller positive impacts on earnings *and* negative impacts on employment probability. This difference may be due to the cash grants for training participation given to young women with children, generating incentives to participate in the labour market and allowing a less segregated labour market entry, thus pointing to potentially positive implications of combining different LMP instruments. Similarly, Chong et al. (2008) also examining 'ProJoven' and its implications for formal employment find that, while employment probability was not significantly impacted for men, it was significantly positive for women. Additionally, the study found strong positive impacts on all job quality proxies (firm size, health benefits, accident insurance, social security and, not least, a formal contract) and probability of formality, though all measured impacts subsided over the medium-term. Echoing the heterogeneity in outcomes for men and women and distinguishing between high-quality and low-quality training, Galdo and Chong (2012) find that only high-quality training increases men's earnings and formal employment in the short-term, but *any* training has significant positive impact on women's earnings, employment probability and formal employment.

In Brazil, Reis (2015) looking at a variety of vocational training programmes (both public and private) finds an overall significant positive impact on earnings and employment probability after one year, but no impact on entering into formal employment.²⁵ The paper does not separate between providers or types of programmes, yet it does point out potential advantages to on-the-job training (as compared with classroom training) as a way of providing additional labour market experience. Moreover, similarly to other studies there is heterogeneity in the results along experience and education, with more educated and older workers (who also have more labour market experience) receiving larger positive earnings impacts from the programmes, which is due to their higher likelihood (i.e. propensity) of entering and finishing training. Moreover, as more highly educated workers possess more solid basic skills the impact

²⁵ With a slightly different focus on workers displaced from sectors highly exposed to trade in Brazil, Blyde et al. (2019) find that while training does not significantly impact re-entry into the same sector, it does significantly increase re-entry probability into formal employment in another sector or occupation one year after displacement.

on productivity is stronger. At the same time the study acknowledges Brazil's limited training effectiveness due to the lack of basic skills among less educated individuals, thus pointing to a need for strengthening training curriculum for different types of participants and helping low educated workers to catch up, especially as the future world of work demands workers to retrain into jobs that require new technological skills.

Focussing on Rio de Janeiro, Calero et al. (2017) find that in the 'Galpão Aplauso' youth training programme, the combination of vocational training and life skills through expressive arts lead to significant short-term increases in terms of both earnings and employment probability, but no impacts on non-labour market outcomes such as personality-related traits. Interestingly, the training programme started as a public policy but turned into a private-sector managed programme, with selective criteria in terms of initiatives and beneficiaries, revealing a small chance of it scaling well and the results holding potential for external validity.

Overall, the LAC results are in favour of training programmes yet point to substantial heterogeneity, with younger workers often benefiting more which seems to be related to their self-selection into programmes, and/or them benefiting more from training by virtue of being better educated in the first place (accumulated HC and a signalling effect). Also, in some cases women have more to gain from training which is due to their relatively unfavourable starting position in the labour market, also when it comes to business start-ups. As in AP the evidence seems to suggest that when combined with other interventions, whether cash grants (social assistance) or e.g. employment subsidy vouchers (demand-driven ALM programmes), the training programme results tend to be more mixed, depending on the types of policies being combined. Varied findings could be related to the study design and the difficulty in identifying the precise effect of a specific programme component. Findings also tend to diverge depending on whether looking at short-term experimental studies or longer-term follow-up assessments, and for the longer-term sustainability of outcomes the duration of training programmes matters as well.

5.1.3 Sub-Saharan Africa

Although fewer in numbers compared with AP and LAC, in general studies in sub-Saharan Africa (SSA) are more recent, indicating the growing availability of relevant and reliable data from this region. Close to half of the studies from SSA look at different types of training, sometimes in combination with other ALMPs or social protection measures like cash grants. In Kenya, Hicks et al. (2013) looking at the 'Technical and Vocational Vouchers Program' find limited overall evidence of an increase in earnings, yet for workers engaged specifically in wage-work it finds a significant increase in earnings. However, there are no significant changes in employment probability and no significant impacts on participants' job quality, except for a lower probability of having full-time employment. The study takes care to note that after its last follow-up survey, for some participants the duration between training end and data collection was only a few months, so some impacts may not have developed past the possibility for short term evaluation.

In Uganda, Okumu and Bbaale (2019) find that vocational training does not lead to enhanced skill development and is not suitable to meet labour demand in the private sector. The reasons for this are numerous including under-/ill-trained staff, limited adoption of competence-based curricula, inadequate supervision of institutions; internship possibilities hampered by poor quality equipment in the private

sector, and a splintering of semi-autonomous technical and vocational education and training (TVET) institutions.²⁶ Painting a more favourable picture of the labour market outcomes associated with vocational training and firm-provided internship (via wage subsidies) in Uganda, Alfonsi et al. (2020) show that both interventions significantly increase employment rates and generate skill development and higher earnings and productivity. However, there is some heterogeneity with firm-provided training showing quicker employment and earnings results yet dissipating over time (see sub-section on demand-driven measures), whilst in the long-term vocational training results increase and surpass firm-provided training related outcomes. The reasons lie in vocationally trained workers enjoying greater skill transferability and, therefore, job mobility in combination with vocational training carrying the certificate effect leading to quicker job offers. Also in Uganda, Bassi and Nansamba (2022) use a randomized control trial (RCT) to show that disclosed soft-skill certification significantly increases high-ability employer beliefs on skill of matched workers. Basically, the certification effect lowers the search cost for the employer and increases the reservation wage of the employee, and this is particularly true for high-skilled workers.

Also looking at training combined with other ALMPs, Mengistae (2001) finds that in Ethiopia both on-the-job training (proxied through job seniority) and job matching have significant positive impacts on earnings and productivity over time; with both programmes producing significant between-job increases in wages as skill formation and job matching produce growth in marginal productivity. However, job matching effects (proxied through a combination of labour market experience and labour market mobility) may be more important over time. Another study from Ethiopia (Rijkers et al., 2010), also examining vocational training in conjunction with different ALMPs (public works, cash grants), finds significant increases in earnings for workers (education levels do not differ much, yet poorer workers experience a larger earnings increase) and significant but lower increases for contractors under the programme. The mechanism is that the cash grant (subsidy) allows small and medium enterprises (SME) expansion (and small wage differential), while training fosters a potential productivity differential resulting in increased wages. However, the public works component seems to be less effective as the programme does not have a significant impact on labour intensity (per unit of capital), and thus is unlikely to lead to job creation. Also looking at a public works programme connected with vocational training in South Africa, Akintola (2015) finds that whilst the programme has some success in reducing unemployment for low-skilled unemployed, it has led to very minimal poverty reduction for participants' households. Primarily the study argues this is due to the skills training provided not matching skills required on the labour market, with the learnership programme not adapted to the realities of South Africa's (sectorial) labour demands. Improving this component would allow the public works programme to focus less on short-term employment and more on creating possibilities for longer-term jobs and careers.

²⁶ Similarly, and also in Uganda, Bassi and Nansamba (2019) use an randomized control trial (RCT) to show that disclosed soft-skill certification significantly increases high-ability employer beliefs on skill of matched workers, yet with no resulting downward update for lower skills; no impact on low-ability owners; disclosed certification for workers has effect of positively updating outside options; employer-employee effects are symmetric; significant increase in employment probability for middle-skill workers, potential negative effects for low-skill workers; increases in earnings, conditional on employment, only significant for high-skill workers. In sum, the certification effect lowers the search cost for the employer and increases the reservation wage of the employee, and this is particularly the case for high-skill workers (*SSRN working paper*).

Examining the effectiveness of a youth employment programme (YEP) on employment probability and individual welfare in Mauritius, Ramguttu and Sanmukhiyab (2021) find a significant impact of vocational training and internship on satisfaction and individual estimation of employability, but no significant impact on actual employability. Moreover, individual satisfaction seems to vary by sector of work placement and nature of work. Also focusing on mostly non-economic outcomes (individual welfare, skills acquisition etc.) for youth trainees in South Africa Patel et al. (2020) show that vocational and soft-skills training have a sustained positive impact on self-efficacy, self-esteem, and significantly increase job-search resilience post-intervention. Moreover, financial capability training is correlated with larger positive personal outcomes. The authors argue that through the nurturing of soft-skills Positive Youth Development (YEP) programmes change individual outlook, and as such are considered 'critical delivery systems' providing empowering resources required for complexity of youth transition to work in high unemployment (informality) countries.²⁷

Beyond training, a couple of studies look at transport subsidies as another means to increase labour supply, sometimes applied in conjunction with training. In Ethiopia, Franklin (2018) finds that transport subsidies led to significant increase in short-term job quality for high-skilled workers but had no impact on employment probability. However, it finds a significant increase in employment probability, job quality and formal employment for its low-skill sample. All results dissipated over time but were somewhat persistent. This suggests that subsidies, by lowering cash constraints, may reduce job search costs, resulting in increased job search intensity and a higher use of formal search methods. Also in Ethiopia, Abebe et al. (2021a) find that both a transport subsidy (offered to job applicants) and job search assistance (a job application workshop which included a skill certification component) combined significantly increase job quality through formal employment among educated youth. In terms of employment probability, the former has a modest impact whilst the latter significantly increases the probability of having a stable job as well as earnings, job satisfaction, and employment duration. In another study Abebe et al. (2021b) show that an employer can attract more talented applicants by offering a small monetary incentive for making a job application (compensating job applicants for transportation and other costs). In contrast to the firms' beliefs that the application costs act as a screening, and that therefore the subsidies would lower the quality of the applicant pool, the authors show that the intervention is effective because the cost of making a job application is large, and positively correlated with jobseeker ability, so that the subsidies actually increase the quality of the applicant pool.

5.1.4 Middle East and North Africa

For the MENA region, studies are more limited compared to AP, LAC and SSA. Comparing general to vocational training El-Hamidi (2006) finds that in Egypt vocational education increases earnings significantly more than general secondary education for men, but not for women. This seems to reflect a signalling effect whereby training certification reflects enhanced labour market productivity, resulting in earnings differentials. Cultural aspects also emerge, with well-educated family backgrounds being more likely to send children to general secondary education so the earnings differential appears stronger for those less well educated. Moreover, having young siblings in the household increases the likelihood of

²⁷ The authors base their argument on the PYD approach (Benson et al., 2007).

sending daughters to vocational education but not sons. Providing more positive evidence of the empowerment of women in the conservative setting of rural Egypt, Elsayed et al. (2021) show that vocational, business and life skills training significantly increased women's labour force participation (measured through dummy variable including currently working as well as willing to work and actively looking for it), as well as the likelihood of formal employment (self-employment). The main channel is that skills training alleviates both information and skills constraints leading to a subsequent increase in human capital. Moreover, intermediate outcomes include changes in economic aspirations as a result of business-relevant social interactions (among the treated but with possible spill-over effects in terms of increased business intentions) and the role model provided by trainers.

In sum, the evidence from across regions shows that training is generally associated with positive labour market outcomes although displaying substantial variation across different groups, durations, quality and types of training programmes. The evidence is generally supportive of training as an instrument to ease the school-to-work transition for young graduates, as well as enchaining women's empowerment through increased labour force participation. Nevertheless, training may not always be a quick fix to overcome gender-based structural barriers to employment (i.e. lack of sufficient childcare opportunities) pointing to the need to integrate ALMP with relevant social protection measures which in turn has the documented effect of raising women's employment probability. In some cases, training schemes may be tailored specifically to aid business start-ups/self-employment (not in the sense of informal temporary work), and overall training raises the tendency for workers to be employed formally in higher quality jobs, in some cases leading to increased social protection contributions (pensions, health insurance etc.). In general, the evidence weighs more in favour of private training schemes compared to public ones, albeit with variation among the latter. Finally, the effectiveness of training schemes seems to vary depending on whether implemented in isolation or in conjunction with PLMPs (a combination which appears to have more positive outcomes in LAC and less so in AP²⁸) or different kinds of ALMPs (which appears more positive in AP and less so in LAC). In SSA several training programmes revealed positive results when combined with LMS, such as job-matching and job search assistance. However, measuring impact is also more complicated when several programmes are combined, possibly concealing individual programme attributions and outcomes, depending also on the duration between training incidence end and data collection.

5.2 Demand-driven measures

We move from supply-driven ALMPs to demand-driven employment creation programmes which, as seen in Table 1 include public employment programmes (PEP), employment, wage and recruitment subsidies, labour market services (LMS) and self-employment and micro-enterprise creation. Starting by considering evidence on public works or PEPs, which have long been considered an essential part of social assistance programmes traditionally designed as short-term safety nets for poverty alleviation. However, large-scale PEP such as India's National Rural Employment Guarantee Scheme (NREGS), which proved effective in responding speedily to and mitigating the effects of crises, has elicited interest in such policies as components of inclusive growth paths. In fact, investment in public works is a key intervention in developing countries, with the purpose of direct job creation through public works

²⁸ Kazakhstan is the sole example from this region.

programmes focusing on the private sector by helping firms to overcome obstacles for innovating, growing and creating more jobs (McKenzie, 2017). PEPs may work along several dimensions: i) meet basic needs at household levels through income earned, and provision of services (*social outcomes*); ii) reduce the negative impact of economic and natural shocks, improve infrastructure, and stimulate demand at local levels which has a multiplier effect (*local, regional and national aspects*) and iii) integrate socially excluded groups on more equal terms as well as provide employment (*economic and social stabilising effects*). The following summarises existing evidence that touches on all these dimensions, again divided by regions and starting off with Asia and the Pacific.

5.2.1 Public Employment Programmes

5.2.1.1 Asia and the Pacific

Due to the scale of NREGS, much of the evidence on employment guarantee schemes (EGS)²⁹ comes from India, and although based on different methods and sample sizes, the findings are generally positive for a range of outcomes including earnings, employment and labour market engagement. For instance, Scandizzo et al. (2009) looking at switches from the regular labour market to EGS participation find that the potential of income and employment increases changes workers' behaviour towards employment away from self-employment. Thus, the switch to the EGS is driven by workers weighing up entry/exit costs related to the volatility of surrounding labour market (agricultural wages). Similarly, Novotny et al. (2013) find that the EGS in Tamil Nadu, India brings direct welfare in the shape of wages and provide evidence of a change in opinions and perception on labour market participation. Due to the prevalence of the programme use by women, it also significantly decreases relative gender wage disparity in the region. The authors also point to the existence of a spill-over effect with wages from EGS constituting a notable part of (household) budgets in the first round, whilst in the second round upward pressure on private sector wages increases non-participating household earnings. These private sector wage hikes, however, potentially affect the local economy adversely, especially small-scale farmers.

Evidence of an earnings spill-over effect between NREGS in treated and untreated villages is also provided by Merfeld (2018) who shows that treated villages near untreated areas have smaller increases than treated villages farther from untreated. This recognition of spatial heterogeneity between outcomes is an important finding, and the fact that the increase in labour bargaining power is not limited to directly treated zones (since wages in untreated districts increase more when they are closer to treated districts) is suggestive of substantial spillovers, which implies that studies focussing on the district underestimate the true effects of NREGS.

The positive wage implications of NREGS are confirmed by Bose (2017) who finds an increase in household consumption per capita for areas under NREGS and a more significant increase for members

²⁹ Notwithstanding the critiques of such programmes in terms of their long-term employment creation potential, other socio-economic evaluation criteria should also be considered, such as the demand stimulating effect, the additional wealth effect created through the goods and services produced (e.g. infrastructure) and the social cohesion effect of such schemes. This is particularly true for developing countries, where any question of opportunity costs is usually void: there are not many alternatives to such schemes. Moreover, while it holds true that regular, well-paid jobs are preferable, in their absence, the fact of being employed or trained in an active scheme is preferable to poverty, joblessness or underemployment (Auer et al., 2008).

of a marginalised group (caste). Since NREGS pays minimum wage, the study finds predominantly women start working under its increased waged labour demand to provide additional income for the household. Households with children increased the spending on 'child goods' (e.g. milk) most significantly while households without children increased spending on alcohol more significantly.

Despite the evidence being overwhelmingly positive, when looking at effects for different groups, across time periods findings are more nuanced. For instance, Ajefu and Abiona (2019) argue that during negative shocks³⁰ (e.g. drought) NREGS provides a cushioning effect on participants' households by providing a stabilising employment opportunity. However, during positive shocks (heavy rainfall) there is a possible reduction in educational engagement for children aged 13-16 years as a result of an excess labour demand in informal agricultural jobs (labour market opportunities through NREGS), as also evidenced by an increased engagement of women during positive shocks. Focusing on implications for women Chaure and Hicks (2021) show that districts with EGS rollout had a significant improvement in child sex ratios towards females, yet only in urban districts. Possible channels affecting the outcome were decreased sex selection pressures through improved female labour market opportunities given by NREGS, as well as a reduction in income constraints, more resilience toward external shock events, or an impacted attitude towards the economic value of daughters.³¹ Finally, Li and Sunder (2022) examine the political dimensions and find that concentration of land ownership (as a proxy for power asymmetry between potential employers and employees) in a region generally decreases or impedes the proliferation of NREGS since landlords use their political power to oppose the programme primarily due to the potential of NREGS to impact wages which is opposed by landlords who push to minimise rural bargaining power. The channel through which NREGS affects rural earnings in this way is through a de-facto enforcement of minimum wages laws, by providing an alternative to informal work (if no minimum wages are obeyed) in line with the spill-over of labour bargaining power argument by Merfeld (2018).

In sum, studies concur that the creation of waged labour demand through NREGS has led to increased earnings, and higher living standards and consumption, yet the implications for more sustainable employment opportunities are less well established.

Beyond India, in Nepal a qualitative study of the 'Karnali Employment Programme' (KEP) which is a public works programme focusing on female empowerment through labour force participation reveals no significant increase in job quality or resulting empowerment (Ghosh and Chopra, 2019). This seems to be due to the type of work not enhancing human capital, general workplace conditions, missing social protection, and no regard being taken for additional unpaid care-work (i.e. no childcare provisions). The concrete channels through which these issues become noticeable are the lack of flexible work timings, lighter work for pregnant women, childcare facilities and any possibilities for organisation, to enact coherent social changes. Lastly, there are too few hours of work paid through the programme for the formal wage equality to significantly impact earnings, especially with the additional hours of unpaid care work still required of the women. In this case a combination with appropriate social protection measures might have made a difference to the effectiveness of the KEP.

³⁰ Shocks are measured as deviations from the norm using rainfall data.

³¹ Thus, the evidence based on NREGS does not point towards ALMPs being biased towards men (nor crowding out real jobs) which has been discussed earlier.

5.2.1.2 Latin America and the Caribbean

Although much fewer in numbers compared to in AP, there are a couple LAC studies which provide some interesting evidence on public works programmes. For instance, in Argentina Jalan and Ravallion (2003), examining the 'Trabajar' programme, reveal significant positive impacts for participants, and generally pro-poor targeting. There are larger earnings impacts for a younger cohort (15-24 years), but generally a more pro-poor earnings distribution in the older cohort (25-64 years). Restricting the sample to women, who had a very low participation rate, shows generally larger earnings impacts but also a less pro-poor distribution, suggestive of overall lower wages for women in other work making the programme more attractive to the non-poor women.

In Bolivia, Hernani-Limarino et al. (2011) looking at the 'Plan Nacional de Empleo de Emergencia (PLANE)' find significant positive effects on household consumption during and after the programme, indicating a success for the programme's objective of being a consumption-smoothing scheme in times of recession. However, beyond meeting this short-term objective there are no significant impacts on earnings and employment probability revealed, as people leave the programme after receiving the benefit. This negative self-selection results from the programme targeting unemployed people in a highly informal economy. Thus, the authors conclude that while public works programmes are useful social protection measures in the short-term during times of recession, the limiting factors include the temporary and unskilled nature of the work (and lack of skill training) which in turn means that they are not a good alternative for improving the employability of vulnerable populations.

Escudero, et al. (2020) compare the outcomes of a Uruguayan public works component ('Trabajo por Uruguay') and an income support component ('Plan de Asistencia Nacional a la Emergencia Social') and their combination on any of the following dimensions: employment probability, employment quality or civil society participation. The authors find that the only positive (marginally significant) outcome was on employment probability by the public work programme on its own, thus helping towards the immediate objective of reducing extreme poverty, echoing the findings on Bolivia's PLANE. Yet, the limited intensity of treatment (short timespan) meant that the programme lacked in sustaining outcomes, to be able to fulfil any long-term objectives³². Adding to this is a limited accumulation of human capital due to the accompanying training, which was deemed qualitatively insufficient.

Looking at the impacts of a public works programme (PATI) in El Salvador, Acosta and Montiel (2021) observe a decrease in crime rates in municipalities implementing PATI, with most of the decrease explained by income effects through cash benefits (an accompanying SP measure). Moreover, for non-economically motivated crimes, social capital factors — driven by community participation and work requirements leaving less time to commit crimes, and the main group of the programme's beneficiaries being youth are potential channels through which crime is reduced. The study thus shows the potential for important spillover effects of ALMPs as even though not instituted for crime prevention the programme had significant and important effects on crime levels and violence in and around areas of operation.

³² The *Plan de Asistencia* was conceived as emergency measure of short-term income stability (designed as a 2-year program only). *Trabajo por Uruguay* had the longer-term goal of increasing employability, promoting civil rights awareness, and increased access to public services, whilst short-term goals included increased household income.

In sum, in certain cases public works programmes seem to be effective in meeting immediate consumption smoothing objectives, yet their ability to generate longer-term sustainable employment opportunities is more unclear. Importantly, it seems, the allotted programme timeframe has implications for the sustainability of outcomes and long-term objectives. Moreover, PEPs are often considered complementary to other types of social protection and assistance programmes such as cash transfers that seek to smooth consumption, foster investment in human capital, and help to mitigate inequality and vulnerability. However, it is not clear whether the effectiveness is increased when they (public works programmes) are implemented in conjunction with other measures. In fact, the combination of different components/aspects might not always lead to positive outcomes beyond what a single programme might achieve. The evidence seems to suggest that to work PEPs should offer adequate employment opportunities that affect various dimensions of the labour market. Moreover, policies must ensure that there is a ‘floor’ in the wage rates of unskilled and informal workers in order to help stabilise wages and the demand for labour, particularly in rural economies. Finally, PEPs can be designed to stimulate private sector investment acknowledging that both the private and public sector have a role to play in job creation.

Turning to another demand driven ALMP, the following section looks at the evidence on employment, wage and recruitment subsidies, the purpose of which is to increase and change the structure of demand by creating an incentive to hiring or maintaining jobs through reducing labour costs. As outlined below, these programmes are typically linked to other programmes either ALMP (training or LMS) or PLMPs e.g., hiring participants from anti-poverty (conditional cash transfer) programmes targeted to specific disadvantaged groups with poor labour market outcomes.

5.2.2 Employment, wage and recruitment subsidies

5.2.2.1 Asia and the Pacific

In Sri Lanka, de Mel et al (2019), looking at the return to 'employment subsidies' intervention (additional labour) in microenterprises, found increased employment during the treatment period (48 months), yet no long-term impact on employment, and no effect on profitability and sales meaning that productivity did not sufficiently increase through additional employees. In Turkey, Ozdamar et al. (2021), find a positive (but insignificant) impact on employment probability and being formally employed full time (yet no impact on wages nor permanent contracts). The study suggests that the subsidy programme increased the formalisation of existing jobs rather than creating new employment opportunities and economic activity.

In a study on COVID-19 wage subsidies and SME performance in Russia, Kuchakov and Skougarevskiy (2021) find no significant effects on any outcomes (employment probability, profitability or firm survival). They theorise that the optimal subsidy should incentivise firms towards socially optimal decisions of shutting down or remaining open depending on shadow labour price, shock permanence, re-opening costs (off-set shocks just enough to stay in business). The authors recommend implementing a

universal wage subsidy programme which is not conditioned on being in specific affected industries (non-targeted).³³

5.2.2.2 Latin America and the Caribbean

As seen under supply side measures, in a couple of cases (in Argentina) employment subsidies were implemented in parallel with training instruments, often with mixed outcomes. In the case of Bolivia, employment subsidies have been combined with a job market service programme ('Programa de Apoyo al Empleo'), revealing significant positive impacts on employment probability and formal employment in the short-term, with earnings impacts increasing over the long-term (Novella and Valencia, 2019). The authors also observe larger effects on the earnings and chances of formal employment of women, as well as larger impacts on the earnings of older beneficiaries (which differs from the often-young beneficiaries of training programmes). In sum, a cost-benefit analysis sees positive returns of the programme over future individual labour outcomes.

5.2.2.3 Sub-Saharan Africa

In SSA there is a body of studies emerging from South Africa. For instance, Go et al. (2010) find that wage subsidies lead to positive but modest increases in employment, especially for low-/semi-skilled formal labour. However, the employment impacts depend greatly on substitution of factors of production, with a minimal impact if unskilled and skilled labour are rigid complements in production. Since the supply of low-skill labour predominates, the degree of labour market flexibility becomes a critical instrument in determining the extent of the employment increase. Focussing on Cape Town youth Levinsohn and Pugatch (2014) show that wage subsidies have a positive impact on earnings by leading to increased reservation wages (and accompanying increase in willingness to accept proposed job offers) and leads to a decrease of youth experiencing long-term unemployment. However, the model ignores general equilibrium effects of the subsidy, such as downward pressure on general wages, if a larger percentage of youth becomes employed. In terms of youth employment probabilities, Ranchhod and Finn (2016) find no significant positive effects of a wage subsidy on employment probability, nor on the amount of job turnovers, suggesting that search cost is not the primary barrier to employment. The authors hypothesise that the value of the subsidy is too low to significantly alter search-costs, especially with the programme only being targeted at medium to large sized formal sector firms whose hiring decisions are possibly unaffected by the subsidy. Moreover, it is possible that more significant results would potentially be observed in the longer-term.

In Uganda, Alfonsi et al. (2020), also cited earlier under training, find that the firms receiving incentives (wage subsidies) to train apprentices retained the majority of these workers after the subsidy ended. However, essentially all of the workers left within three years, and there was full displacement—the treated firms were no larger than control firms two years after the experiment. However, the treated firms

³³A number of other studies was located on Russia, especially on training, yet given the amount of papers on this (in general) the latter have been left aside. Providing evidence from Singapore's workfare income supplement scheme, Freire (2018) finds that whilst for women aged 60-64 wage subsidies increased participation, there was no impact for men. The explanation is that the subsidy might be large enough to compensate for drops in wages (with age), so people stay in their job or re-join the labour force. Of note, however, is that Singapore classifies as a high-income country.

were significantly more profitable over the post-treatment period, and the wage subsidies accounted for only one-third of the increase in profitability. This implies either that the subsidised firms hired more productive workers than these firms typically hire, or that the subsidised firms retained a higher share of workers' output than they typically would. In any case, the employment subsidies did not significantly improve earnings, and there is no evidence that firms are larger as a result of the increased incentives to hire workers. This study adds value by directly measuring the effect of matching on firms' growth, thus looking at general equilibrium implications, and not just the effects on programme participants.

5.2.2.4 Middle East and North Africa

In Tunisia, Marouani (2010) finds that a wage subsidy targeted at the high skill sector is more effective in decreasing unemployment than tax reductions or investment subsidies, yet a wage subsidy on its own does not significantly impact unemployment and is thus recommended to be supported by other policy choices. More specifically, on the increasing labour demand side, the policy recommendations are either an increase in the research and development (public or private) into or promotion of more highly skilled labour-intensive service exports. On the decreasing labour supply side, the recommendations are increasing skilled labourers study time to counteract the recent introduction of shorter study periods in Tunisia or encouraging skilled labourers to migrate. As such, the labour supply falls allowing for the wage subsidy to be supported financially. Also looking at Tunisia, Broecke (2013) finds that the Professional Internship programme (SIVP) reduces unemployment (as in Marouani, 2010) and increases the chances of being employed in the private sector, two of its stated aims, for its target beneficiaries. It also finds, however, that the selection into the programme, not being random, is not targeting those most in need well, with individuals most likely to be unemployed 3 months after graduation often having to wait the longest for participation in the programme. Lastly, it finds that programme participants tend to have a more precarious job (no permanent contract) and be less well remunerated than graduates with a job that did not participate in SIVP. Thus, the study concludes that, while the programme is in line with international cost-benefit assumptions of employment subsidy programmes, it loses a large part of its effectiveness to deadweight losses as a result of bad targeting.

In an evaluation of the "Idmaj" programme in Morocco, Chatri et al. (2021) argue that employment subsidies have a significant positive (albeit marginal) effect on employment probability, yet a significantly negative impact on earnings of beneficiaries. The study also demonstrates heterogeneity across groups, with women and young people (18-24 years) experiencing a larger positive impact on employment, but also a larger negative earnings effect on people aged 25-34 years (including women). This seems to be related to a potential stigmatising effect of the subsidy, with employers considering beneficiaries less productive (due to receiving the subsidy) and therefore are less likely to consider beneficiaries for higher wages. Moreover, for men and beneficiaries of the programme aged 25-34 years there is also less likelihood of being covered by social security. Thus, the programme does not provide a long-term 'steppingstone' towards higher-skill jobs and higher-paying work which was one of its original objectives.

Similarly, adding to the ambiguous results on employment subsidies as a 'steppingstone' to employment for female graduates of community colleges, Groh et al. (2016) find that in Jordan there is an increase in labour demand only as long as the voucher (subsidy) exists. In terms of earnings, they show that although

short-term wage vouchers significantly impact earnings (high reservation wages induce employment on higher wages with subsidy but then taper off) and employment this effect dissipates to insignificant in the medium-term (4 months after programme end) with no long-term lasting effect on either employment or earnings. The reason being that despite gaining on-the-job experience, employers find employees not productive enough to keep after the subsidy period, with a binding minimum wage which prevents employment at wage levels proportionate to productivity. On the upside, however, the voucher use itself is substantially higher than in similar wage subsidy studies, especially outside the capital city.

In sum, compared to both training and PEPs, the findings on employment subsidies are more mixed depending on the country, target group, duration, outcome type, as well as whether the intervention is combined with other active or PLMP. In general, short-term (limited/temporary) employment and earnings effects do occur, yet in the longer-term employment subsidies do not seem to generate higher productivity (wage) or other firm level gains. In terms of formalisation, there is evidence that subsidies help to formalise existing jobs yet do not create new formal employment opportunities except in some case when subsidy programmes are implemented in combination with job market service programmes, the category of policies turned to next.³⁴

5.2.3 Labour market services (LMS)

As a mediating ALMP, LMS contribute directly to the matching of labour demand and labour supply by building institutions that form bridges in between. LMS include job search assistance, prospecting and registering vacancies, profiling, providing labour market information and intermediation through PEPs. Despite being considered crucial for an effective provision of ALMPs, in most developing countries, the role of LMS is often minimal due to limited public resources allocated to LMS, and hence the number of studies is relatively low.

5.2.3.1 Asia and the Pacific

Looking at whether job market services influence young women's work and family decisions in India, Jensen (2012) shows that women (aged 15-21 years) are significantly less likely to get married or have children during treatment and rather prefer labour market participation or training. However, their autonomy is not significantly impacted. In the Philippines, Beam (2016) finds that LMS, specifically job fairs, do not lead to any direct increase in job matches, yet foster indirect increases in employment over medium-term due to a change in labour market perception for participants and conveyance of new information including encouraging individuals to look for work outside the local region. The formal employment increase happens in parallel to a decrease in self-employment for participants in the job fair. This ineffectiveness of LMS in the Philippines was also pointed to by Abdelkarim (1997) who, in the context of training, found little reliance on labour market information for training/job search choices due to ineffectual employment services.

³⁴ This differs from developed countries where numerous impact evaluations find that, on average, wage subsidies, especially in the private sector, increase the transition rate of participants from unemployment to employment (Card et al., 2010; Rosholm and Svarer, 2011).

5.2.3.2 Latin America and the Caribbean

In Peru, Dammert et al. (2015) investigate the role of two axes of labour market intermediation and matching on employment probability. More specifically, the two dimensions are: information channels (digital and non-digital) and information sets (public and private). The authors find that the treatment group receiving an unrestricted information set digitally had a significant short-term increase in employment probability, yet this disappeared in the long-term (3 months) after the control group received access to labour market intermediation as well. Those receiving information non-digitally and only via public intermediation services saw no significant impact on employment probability short-term or long-term, and there was no significant impact on job matching efficiency for any of the treatments. The study argues that the findings signify that the most important factor for employment probability is the scope and novelty of information delivered through digital means, as well as the feasibility of using digital channels for information distribution, while acknowledging a smaller role of the information channel alone than often assumed.

In cases where job market services have been combined with other ALMP as in Bolivia's 'Programa de Apoyo al Empleo' where employment subsidies were combined with a job market service programme (Novella and Valencia, 2019), or where they were integrated with conditional cash transfers in Argentina's 'Seguro de Capacitación y Empleo' programme (Mourelo and Escudero, 2017), the results are generally favourable, especially in terms of formal employment and earnings, pointing to the potential benefits of combining different ALMPs in contexts of high informality.

5.2.3.3 Sub-Saharan Africa

Abel et al. (2020) examine the effect of improved labour market information in South Africa, more specifically the use of reference letters in applications, and find this to have significant positive impact on call-backs, especially for women, who also have increased job interviews and employment probability in the short-/medium-term. This works through the signalling effect whereby letters disclose skill information, leading to selection for higher ability. In Ethiopia, Abebe et al. (2017) reveal that although very few direct job matches are generated from a job fair; the results suggest learning and updating of beliefs after the fair, accompanying an increase in formal job search (for both workers and firms).³⁵

5.2.3.4 Middle East and North Africa

Testing the importance of search frictions and matching in Jordan, Groh et al. (2015) find that the resulting number of mediated jobs kept was very small (9). Although theorising that the job matching would lower search costs on both sides, the study finds that employers might not profit majorly from this as they can already easily fill vacancies³⁶. From the candidate's side the majority rejected received job

³⁵ In their earlier study, Abebe et al. (2017) found that job search assistance (workshop) increased job quality through formal employment and increased employment probability (*NBER working paper*).

³⁶ Job matching was done through a screening process for technical and soft skills and psychometric testing, whose 5 best fits were then delivered as options to firms. The idea is that the provision of information of vacancy and match quality to candidates leads to lower search costs for employer and candidate; through pre-screening and access to a wider pool of potentials for the employer.

offers and found voluntary unemployment arising from preferences over non-wage characteristics of jobs creating high reservation utility (categories of jobs were deemed undesirable when considered monotonous/hard work/tiring, conflicting with gender norms, carrying social/prestige costs). With no significant impact on employment probability or earnings, the study therefore finds job matching for its university educated sample not positively impactful. In a separate and later study (two of) the same authors (Groh et al., 2016 also cited earlier under demand driven ALM programmes) show that the existence of high search frictions lessens search costs for firms through subsidy on new workers.

In sum, LMS evidence is scant, and shows mixed impacts, also depending on whether the focus is on the combination with other ALMPs or the role of existing employment protection legislation. In general, a limited capacity of LMS to affect job matching efficiency, although specific cases of digital information or reference letters reveal positive employment outcomes. Moreover, for women, job market services/connecting to recruiters might influence their work and family decisions (by altering the marriage, fertility and human capital decisions of individuals). In LAC, LMS results are generally favourable especially in terms of formal employment and earnings, with studies also pointing to the potential benefits of combining different ALMPs in contexts of high informality.

5.2.4 Entrepreneurship Support

Giné et al. (2014) looking at the effect of either business training or a large cash grant on the earnings potential of micro-entrepreneurs in rural Pakistan find that business training has significant positive impacts on earnings as well as business knowledge and firm survival, while the large cash grant carries no significant impact, possibly due to borrowing constraints already being satisfied through the normal credit loan possibility. Moreover, there is gender heterogeneity, with women increasing their business knowledge similarly to men but not seeing the same significant positive impact on earnings, which the authors suggest depends more on their ability to exercise independent agency. Providing more positive evidence on cash grants effects de Mel et al. (2012) find that, for male-owned microenterprises in Sri Lanka, there is a continued increase in earnings even 5 years after the initial cash grant. The study also finds gender heterogeneity with female-owned microenterprises showing similar earnings to the control group. The authors suggest that this is due to most of the cash grant being diverted from the business to the household with female-lead microenterprises being more likely to be situated in industries with low economies of scale.

By contrast, in Mexico Angelucci et al. (2015) finds that, while there is no significant impact on the earnings of micro-entrepreneurs, the microcredit loans do lead to a modest increase in business growth which increases both revenues and expenditures. Additionally, there is a slight increase in subjective well-being and the ability for independent female decision-making. The authors conclude that, while there are modest positive outcomes, none of them prove to be transformative. Analysing a business training programme for entrepreneurial participants from Guatemala, El Salvador and Nicaragua, Klinger and Schündeln (2011) find that while the classroom training part of the programme had a significant positive effect on business expansion, it had no significant effect on business starts (although larger for older participants). By contrast, the full training including more individual 1-on-1 training, had a significant effect both on business starts and business expansions, with won prize money having a large

significant impact on both, especially for women. This suggests an overall constraint on business start and expansion through financial barriers, with the constraint being larger for women.

In a follow-up study to an experimental study on the Ugandan 'Youth Opportunities Program', which gave business start-up cash grants in 2008, Blattman et al. (2020) finds that while the effects (on earnings, employment probability and consumption) were large and significant initially, they began to decrease over the 4-year mark, and after 9 years all effects had become insignificant. There were some modest sustained effects on the possession of assets and the probability of being in skilled work for the treatment group. The study suggests that the cash grants thus acted as a quick infusion to alleviate credit constraints on the poor youth, but over time the control group breached this barrier through individual saving past the minimal capital for start-up creation, leading the authors to assume a more complex interaction with other barriers is or becomes important. In Kenya, Brooks et al. (2018) find that while general formal business training has no significant impact on earnings, participation in a mentorship programme does have a significant positive impact due to the more localised and specific knowledge imparted in the apprenticeship programme in contrast to the more abstract general information in the former training.

In Tunisia, Premand et al. (2012) finds that an entrepreneurship training intervention leads to an increase in self-employment, though the change remains small in absolute terms. The overall employment rate remains unchanged, pointing to a partial substitution from waged employment to self-employment, and there is no change in registered job quality (firm size, earnings, formality). The channels through which this self-employment change takes place are an increase in business skills, networking effects, a changed mindset toward entrepreneurial activities and a stronger individual outlook to the future. Additionally, the study finds an increased participants' reservation wage for entering the private sector, but not the public sector which the study suggests may be due to the job security and earnings offered by the public sector. In Egypt, Barsoum (2017) finds that entrepreneurship promotion through micro-lending and entrepreneurial training generates productivity gains, whilst other ALMPs (employment guarantee scheme, vocational training, labour market services) operate under a constraining welfare regime where the state continues to assume a 'protective' role while neglecting (and complicating) the switch to a more 'productive' role.

6. Discussion

This section presents a TOC conceptual framework in order to discuss the channels and mechanisms that are seen to underpin the effectiveness of ALMPs, and, where relevant, to highlight the link between social protection and ALMPs. Since the mechanism and setting of individual interventions also matter for whether the results are likely to be replicated in a different context, the potential replicability and scalability of some successful schemes is also briefly discussed (section 6.2).

6.1 Theory of change

The TOC describes the central processes or drivers by which change comes about for individuals, groups, or communities (Bredgaard, 2015). In combination with a 'theory of action' (how programmes are constructed to activate these theories of change) the TOC makes up 'programme theory', which is an explicit theory or assumption about how an intervention (i.e., a programme or policy) contributes to a

chain of intermediate results and finally to the intended or observed outcomes (Funnell and Rogers, 2011). Thus, the TOC is a theoretically grounded statement of how the inputs being provided (in this case ALMPs) lead to the intended outcomes. In doing so, the theory identifies the steps in the causal chain—linking inputs, activities, transmission mechanisms, outputs and outcomes, as well as the underlying assumptions which need to hold in order for the theory to operate as expected (White, 2018).³⁷ As such a TOC framework provides an explicit map of how the programme inputs are meant to produce the desired outcomes, identifying all of the intermediary factors through which the programme may exert its impact and all of the factors that may modify or inhibit the desired effect (Rossi et al., 2004).

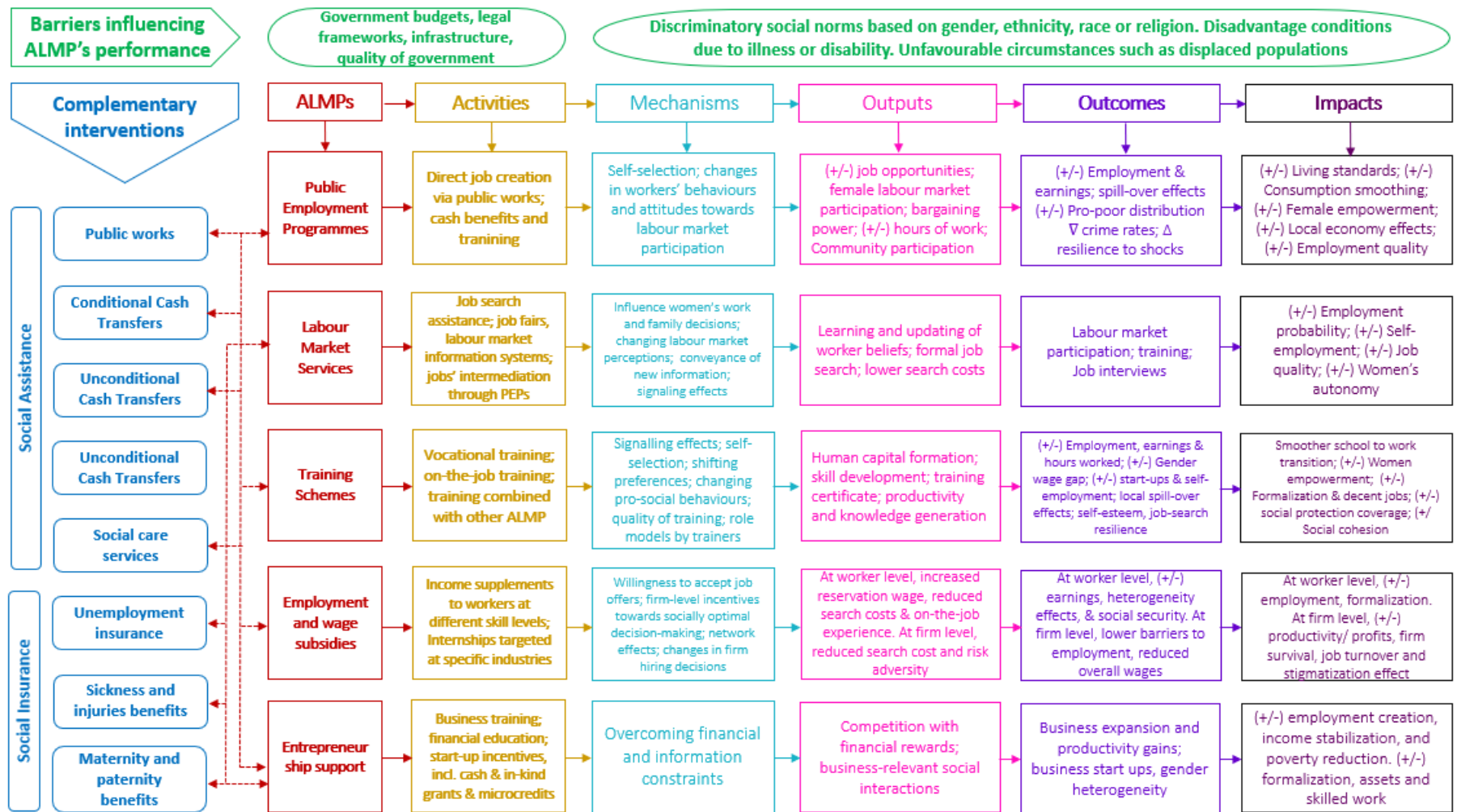
TOC frameworks are commonly applied to a range of development interventions including the evaluation of day-care programmes on health and nutrition programmes (Leroy et al., 2012), and conditional cash transfers (Gaarder et al., 2010; Leroy et al., 2009). In the case of ALMPs, Bredgaard (2015) argues that impact evaluation should be combined with programme theory evaluation in order to overcome the shortcomings of the former. More specifically, a programme theory should be used to guide the impact evaluation and to help identify which variables to measure and how to carry out the analysis. Yet as pointed out by Leroy et al. (2012), many programmes do not use an explicit theory framework to plan the intervention components. In other cases, evaluations may discover that there exists an alternate mechanism to the envisioned TOC, resulting in unintended outcomes.

For instance, in the current review, Bhanot et al. (2021) provide an example of the TOC identifying ‘counter-theories’ in which the intervention worked in ways other than those which were planned, but where the evaluation was designed to also measure the programme’s (labour market) effects through this additional channel.³⁸

³⁷ See White (2018) for an elaboration of the steps used in establishing the theory of change, as well as a discussion of TOC critiques and comparison with logic models.

³⁸ See also Carvalho and White (2004) on the application of a theory-based approach to the evaluation of social fund projects.

Figure 5: Active Labour Market Policies: A theory of change conceptual framework



Source: Authors

In addition to specific interventions, theory-based systematic reviews often embed a rigorous analysis of effects into a broader analysis (of the causal chain) based on a TOC framing (Maitrot and Niño-Zarazúa, 2017). In some cases, the TOC may be specified at the outset and then used to derive the review questions and determine the types of data and analysis required for each question. For the purpose of the current scoping review, a TOC based on the synthesis findings is developed, thus allowing the theory to fit the data, not the other way around. In other words, “the narrative synthesis attempts to arrive at some ‘over-arching theory that reconciles the findings’” (Hunter and Schmidt, 2004, p. 445). Although it is difficult to separate outcomes from impacts, it attempts to distinguish where possible more specific measurable outcomes from broader impacts (which could be economic, social and/or political) that are potentially longer-term and/or less quantifiable. Figure 5 presents the TOC with the left-hand column representing the different ALMP interventions as inputs and subsequently the activities, mechanisms, outputs, outcomes and impacts identified.³⁹

For specific interventions, a TOC would test the causal links between interventions and (intermediate and final) outcomes and explicate the casual mechanisms that make the interventions work. However, since this is a review, some examples of general assumptions (for groups of ALMPs) underlying the mechanisms listed in the third column of Figure 5 are provided. For instance, in terms of what determines success or failure in the case of training programmes there is the assumption that the right group is targeted, e.g. if training programmes target the well-educated, rather than the unskilled who may need training most (but may not ask for it) an improvement in the subsequent employment opportunities of participants might not be visible. Moreover, the training provided should obviously match the skills required on the labour market. Akintola (2015) provides an example of this not being the case, as the evaluated learnership programme was not adapted to the realities of the South African (sectorial) labour demands and especially unsuited for middle-skill healthcare service workers, resulting in outcomes (poverty reduction for participants’ households) not being met. Similarly, in Uganda, Okumu and Bbaale (2019) find that technical and vocational education is not adapted to private sector labour skill demands and training effectiveness is further hampered by poor quality equipment, under- or ill-trained staff and limited adoption of competence-based curricula. The authors argue that this is related to the inadequate supervision of the individual training institutions since TVET institutions are splintered and operate semi-autonomously from any centralised state offering. The importance of the contextual dimension is further elaborated on below.

An additional assumption is that potential beneficiaries will actually take-up the training offer, otherwise expected outcomes would not materialise and it would be considered an implementation failure. On the other hand, if an impact evaluation finds that a training programme is successful (which is generally the case for the studies reviewed), it is often difficult to know whether this is the result of the programme or is caused by some other intervening variable or programme. For instance, evidence from Argentina (Almeida and Galasso, 2010) showed that when training was combined with SP in the form of cash grants this had a positive effect on earnings for the younger (more educated) beneficiaries, which was likely predominantly due to the cash grant. However, the overall results were more mixed, suggesting that the

³⁹ For simplicity, at this stage, the ALMP types have been kept separate, yet as seen in the review there are of course many potential combinations, interactions and possible synergies between different ALMPs and PLMPs. Moreover, for a specific programme intervention, it would be more accurate to link specific activities to specific outputs, rather than the silo approach presented in Figure 5, yet the latter is meant to provide an overview of the multiple dimensions (activities, mechanisms, outputs, outcomes and impacts) identified in the 106 studies reviewed.

assumption that SP and ALMP are always mutually reinforcing does not hold under all circumstances/for all groups. In addition, if there are gender-based structural barriers to employment training, even when integrated with conditional cash transfers (Mourelo and Escudero, 2017), may not have any impact on employment probability for women. Structural constraints include insufficient childcare opportunities which may hinder women from benefiting from training. In general, one of the main obstacles for women to actively participate in the labour market in most LMICs is the limited provision of maternity and childcare benefits. Although not offering any specific gender-based policy recommendations, Barrera-Osorio et al. (2020) hint at the necessity of making it easier for women to comply with programme requirements. For instance, receiving cash specifically for childcare could potentially raise women's employment probability.

There might also be barriers (e.g., discriminatory social norms, vulnerable or disadvantage conditions, and unfavourable circumstances) that constrain the inclusion of certain groups (see the top green boxes in Figure 5). For instance, examining technical and vocational training access for persons with mental disabilities in Kenya, Ethiopia, Rwanda and Uganda, Ebuenyi et al. (2020) find that several interrelated barriers in combination exclude persons with disabilities from the practice of technical/vocational education.⁴⁰ In order to overcome these barriers and thereby improve training effectiveness, the study indicates a need for more up-to-date information on mental disability, an implementation of affirmative action and policy of inclusion, as well as a combination of tailor-made curricula and more specific teacher training. Moreover, as seen in Section 5, private sector training programmes tend to be more successful than public ALMP programmes, yet the reason might not be that the former is a more efficient provider. An equally valid explanation may be that job training is targeted at private sector employers with open job vacancies who would have hired someone even without the subsidy. Alternatively, the reasons for an observed positive training effect may also lie in the most motivated and qualified unemployed jobseekers being directed towards private employers or some other plausible explanation, which a thorough impact evaluation combined with programme theory would investigate further.

In terms of employment/wage subsidies, for which our findings are rather varied and generally more positive in the short compared to the long run, several assumptions are made. One plausible (and testable) hypothesis is that wage subsidies reduce the hiring costs of employers and make them less risk adverse towards unemployed jobseekers. The assumption here of course is that the subsidy is large enough to alter firms' decision-making processes, which may not always be the case. For instance, in South Africa, Ranchhod and Finn (2016) suggest that the reason for not finding any positive effect of a wage subsidy on youth employment probabilities is that the value of the subsidy is too low to significantly alter search-costs, especially as the programme was only being targeted at medium- to large-sized formal sector firms whose hiring decisions were likely unaffected by the subsidy. On the other hand, in cases where wage subsidies work this may be because they establish a link (network) between a jobseeker and an employer, an assumption which follows from network theory (Granovetter, 1974) and the ability of networks to reduce information asymmetries (see Williamson, 1985). This may hold true especially when employment subsidies are combined with a job market service programme such as in the case of Bolivia where significant positive impacts on employment probability and formal employment were revealed in the short-term, with earnings impacts increasing over the long-term, especially for women and older

⁴⁰ These include negative attitudes towards persons with disabilities (cultural barrier) and legislative exclusion from primary school, confrontation with untrained teachers and rigid curricula (structural barriers).

beneficiaries (Novella and Valencia, 2019). In fact, this particular combination of two different ALMP seems to provide optimal results.⁴¹

In addition to enabling us to investigate whether an intervention (i.e. training, wage subsidy) works equally well for every target group of unemployed people, and if they do not, why they work for specific target groups, etc. a TOC conceptual framework allows us to understand the *circumstances/context* under which certain programmes work well.⁴² For instance, in the case of wage subsidies the networks established between jobseekers and employers only lead to employment if the employer has a vacant position and if the jobseeker is motivated and qualified for it. In Section 5 a couple of studies showed that employment subsidies had no long-term lasting effect on earnings because employers considered beneficiaries not to be productive/qualified enough to keep after the subsidy period (Chatri et al., 2021; Groh et al., 2016). Thus, similarly to the context of developed countries it seems that wage subsidies may work best for the most motivated and qualified jobseekers, and less well for jobseekers with lower qualifications/that are less motivated. Further conditions, as identified in Section 5, which the effectiveness of wage subsidies may depend on, include the degree of labour market flexibility, the combination of unskilled and skilled labour, and the value of the subsidy itself (as discussed in the earlier example).

A conducive contextual environment matters for all ALMP interventions *and* at all levels from the household to the national level. An example of household-based context is provided by Bose (2017) looking at the case of the PEP NREGS and showing that living standards/household consumption patterns may be impacted positively or negatively depending on whether the extra cash earned through the scheme is spent on food ('child goods') or alcohol. Pointing to the importance of the national level context, Barsoum (2017) argues that in Egypt's state-run ALMP the state continues to assume a 'protective' role while neglecting (and complicating) the switch to a 'productive' role, in turn constraining programme effectiveness—an effect which is most visible in the continued upholding of Egypt's PEP under its employment guarantee scheme (EGS). Similarly, as mentioned regarding training, Okumu and Bbaale (2019) point to the ineffectiveness resulting from the disintegration of TVET institutions.

6.2 Replicability and scalability of ALMPs

We now turn to a few examples of successful interventions where replicability or scalability is explicitly considered. In terms of supply-side measures, the 'Juventud y Empleo' training programme in the Dominican Republic has been replicated several times for different groups (men-women and age-differentiated) and locations (urban-rural) each time with no significant differences to previous results. Although replicability outside the Dominican Republic may not be as straight forward, the studies indeed suggest that the programme is working especially well in dynamic local contexts where the trained skills match labour demand—a crucially important assumption as discussed previously. Alfonsi et al. (2020) find positive labour market outcomes associated with vocational training and employment subsidies (firm-provided internships) in Uganda yet caution that replicability would be contingent on visiting one

⁴¹ See also the meta-analysis by Card et al. (2018).

⁴² This is what Bredgaard (2015) refers to as/labels 'moderators'—a description of the context that activates the mechanism. It influences the strength and direction of the regularity between intervention and outcome (Dahler-Larsen, 2001) and can be compared to an intervening or moderating variable.

of the vocational training centres selected for study again, pointing to the importance of the quality of the training provider. Another dimension emerging from the study of the effect of soft-skill certificate disclosure, also in Uganda (Bassi and Nansamba, 2019), is how voluntary participation in a large-scale certification programme might end up like mandatory policy due to negative unravelling effects for workers not presenting certificates. The resulting total effects depend on additional changes in hiring behaviour of firms which may for instance result in longer interviews, more screening for soft skills etc. In the end this could provide incentive for new generations to increase investment in skills, thus resulting in larger-scale positive effect on human capital accumulation. Thus, even if not intended at the outset, psychometric assessments (as done for soft-skill certification) might induce scalability beyond the initial intervention.

Focusing on vocational training for low-income women in India the study by Maitra and Mani (2017) which finds that the main channel through which the positive effects across all LM outcomes materialise is direct skill accumulation rather than a strong change in behaviour, nor a certificate (signalling) effect, does not make any claims on external validity. However, in an earlier working paper (Maitra and Mani, 2013) the authors indicate that general equilibrium impacts are likely to change the cost effectiveness of the programme in a positive direction whether continuing the programme in the same location or replicating it in a different location. Moreover, if not taking into account that the returns to training are convex (decreasing over time) the returns to the programme are likely to be underestimated. Thus, incorporating an assumption of non-linearity is important for assessing the cost effectiveness of the programme and thus its replicability and scalability.

Another effective means to increase labour supply are transport subsidies which in Ethiopia seem to offer a cost-efficient intervention that should be easily scalable across country (or countries), perhaps in combination with job search assistance (Abebe et al., 2021a). In general, the subsidies work by lowering cash constraints, thereby reducing job search costs, resulting in increased job search intensity and a higher use of formal search methods, which may be particularly beneficial for low-skilled workers. When offered together with training programmes, Barrera-Osorio et al. (2020) find that transport (or food) subsidies significantly increased the overall effectiveness of the programmes in Colombia. However, something to consider is that scaled up subsidised transport may have displacement effects in equilibrium (Franklin, 2018).

With regard to business training programmes which are aimed at decreasing barriers to self-employment and micro-enterprise creation—another common ALMP, the evidence is rather limited yet favourable in terms of self-employment generation and productivity gains, at least in some MENA countries. Moreover, a general recommendation by Klinger and Schündeln (2011) in the case of Guatemala, El Salvador and Nicaragua is that for replication to be successful it is important to be clear on the goals of the intervention. For instance, if creation of new businesses is the main goal, specific business plan support activities are most important, whereas, if expansion of an existing business is the overall goal, then general business and skills training seems more important.

7. Conclusion

This paper has reviewed the evidence on the effectiveness of ALMP interventions on various identified outcomes including earnings, employment, and labour productivity in LMICs, many of which have high

levels of informality. Based on a TOC conceptual framework, we examine the channels and mechanisms that underpin the effectiveness of ALMPs, highlighting synergies with social protection measures. Moreover, the paper elaborated briefly on issues related to replicability and scalability of successful schemes.

Overall, a considerable heterogeneity across different types of ALMPs, countries and world regions can be found, yet the majority of studies finds positive outcomes associated with the implementation of ALMPs, whereas the degree of policy effectiveness is contingent on aspects related to the specific targeted population, or the timeframe of programme implementation. In some cases, ALMP work well in combination with PLMPs and/or social protection interventions, whilst in other cases, coordinated interventions are less likely to result in positive outcomes and more difficult to disentangle. In the context of ageing populations, the combination of employment subsidies with labour market services may prove particularly beneficial for older participants—at least there is some evidence of this group receiving relatively higher earnings under certain circumstances. Moreover, older cohorts might also benefit from retraining into jobs that require new technological skills for the future world of work in a digital era. One study (Denisova and Kartseva, 2010) finds that retraining facilitated the transition from post-soviet bureaucracy into digital upskilling. Indeed, investing in education is a key policy recommendation from research work that emphasises that people can re-educate themselves to meet new technological innovations (Pulkka, 2017). Under ‘this time is no different scenario’, models predict technological unemployment in the short or medium term, although better jobs for the majority in the longer run. Wages are also expected to rise due to growing productivity. In contrast to this ‘technological unemployment will not be a serious risk view’ argument, the ‘this time is different’ scenario suggests that without functional policies, the digital economy will cause mass unemployment in the short and long term, sharp competition for the remaining jobs, declining salaries, stagnating economies, increasing inequality, indebted households, a breakdown of social cohesion and a concomitant rise in social tension (Pulkka, 2017). The key policy argument under this type of model is to provide everyone with a basic income to mitigate the effects of the digital economy. For workers in the informal economy, having access to social protection would facilitate access to ALMPs and complement training and employment services. Such income security for participants in ALMPs would foster opportunities for individuals to acquire competencies that enable then access to productive and decent employment.

The effective coordination between ALMPs and SP systems is of crucial importance for countries to recover from the current COVID-19 induced crisis. Given that the crisis is ongoing, more research is needed in this area to uncover successful examples of countries tackling the labour market implications of the COVID-19 pandemic. Moreover, comparative studies which, in the realm of ALMP are scarce bar a few exceptions reviewed in this paper, could serve to unravel some of the contextual dimensions and mechanisms underpinning success even further. Finally, impact assessments of ALMP would likely benefit from more often being applied in combination with programme theory to uncover the embedded and often hidden ‘mechanisms’ behind why interventions work or do not work; whether they only work for some groups or in some locations and not in others; and perhaps most importantly, how to make them work better overall.

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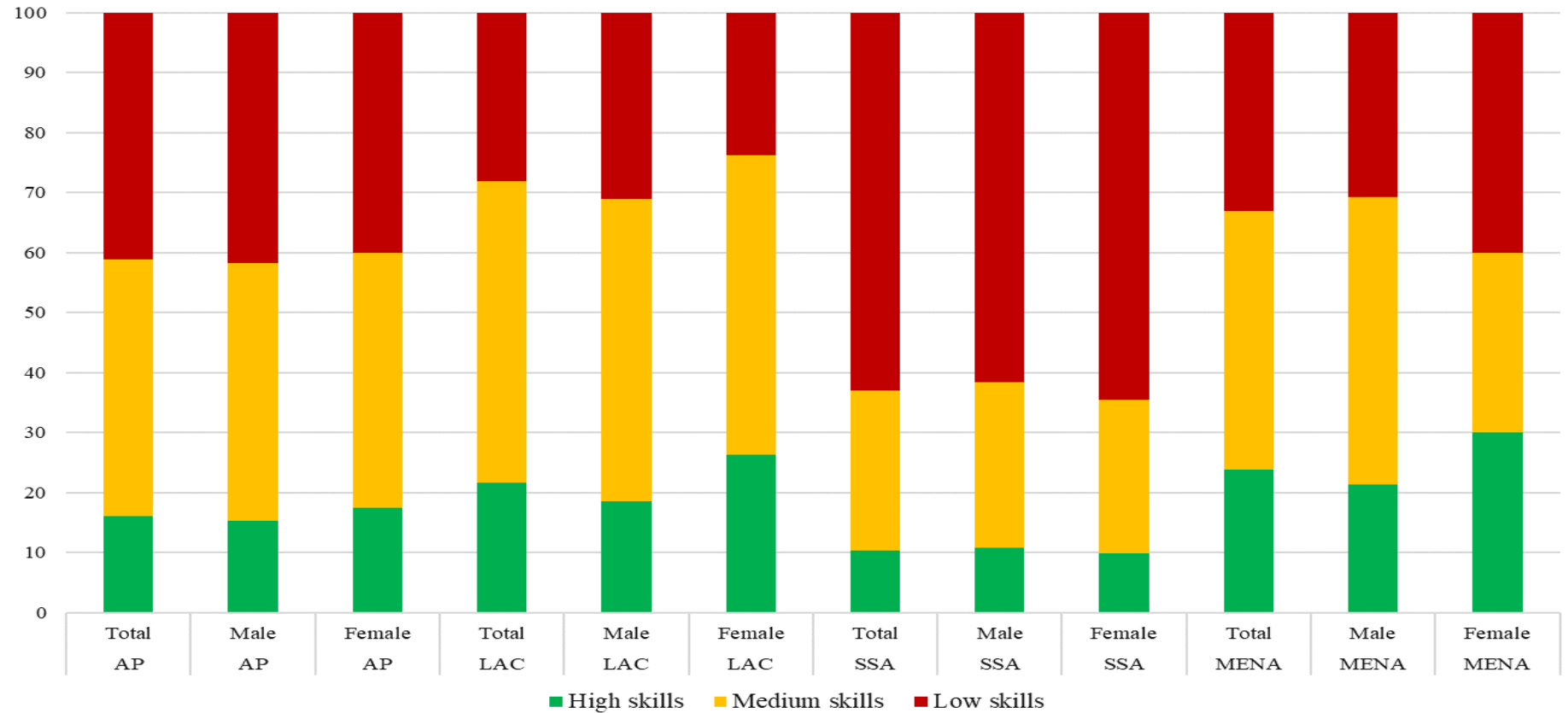
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Appendix A

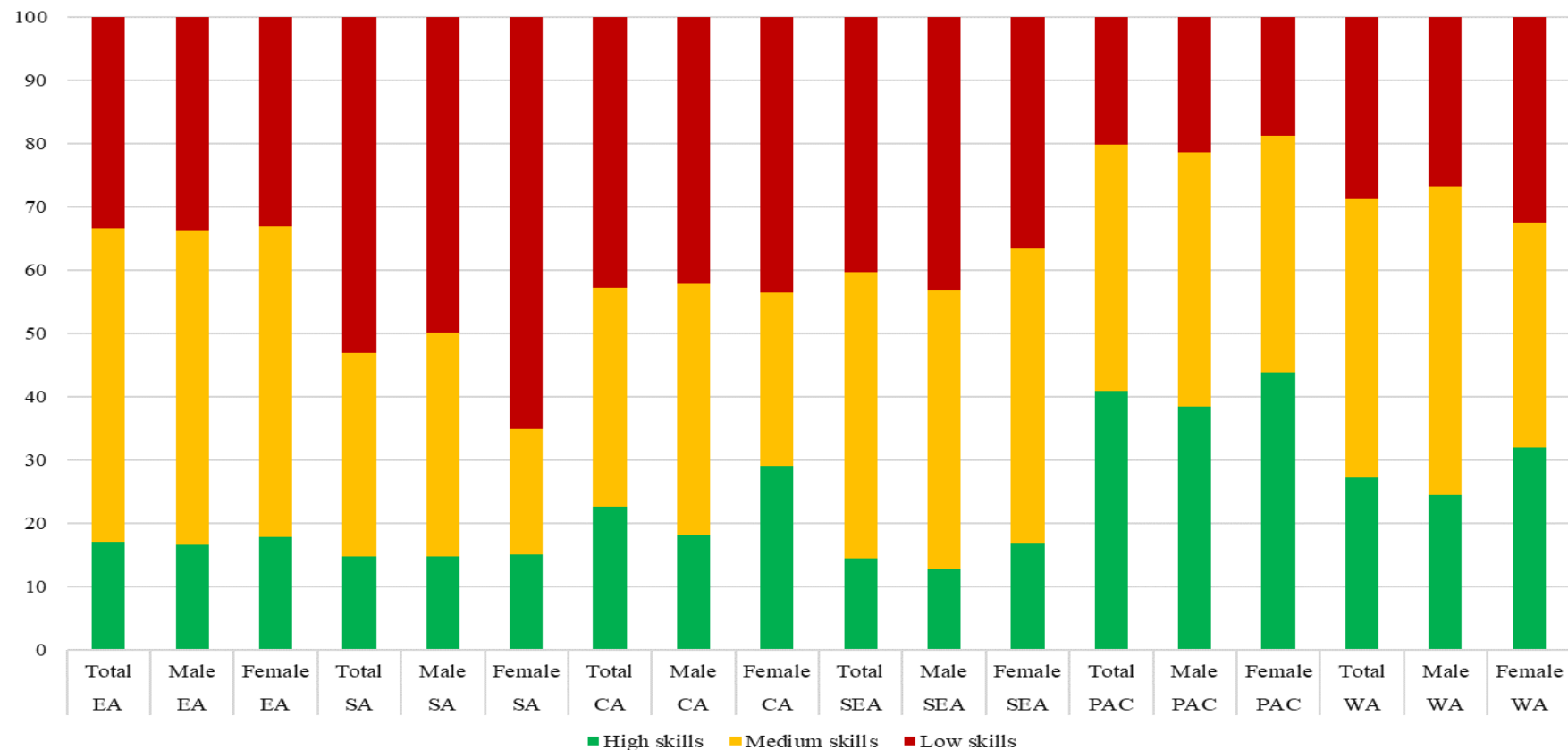
Figure A1. Employment across world regions by skills composition and gender



Source: Authors elaboration, based on ILOSTAT (2022) with data from 2020.

Note: AP stands for Asia and Pacific, LAC for Latin American and the Caribbean, SSA for Sub-Saharan Africa, and MENA for the Middle East and Northern Africa.

Figure A2. Employment across subregions in Asia and the Pacific by skills composition and gender



Source: Authors elaboration, based on ILOSTAT (2022) with data from 2020.

Note: EA stands for Eastern Asia, SA for Southern Asia, CA for Central Asia, SEA for South-Eastern Asia, PAC for Pacific Islands, and WA for Western Asia.

Table A1. Distribution of employment in Asia and Pacific by sector of activity, based on the International Standard Industrial Classification of All Economic Activities (ISIC) Part 1

	Agriculture; forestry and fishing	Mining and quarrying	Manufacturing	Electricity; gas, steam and air conditioning	Water supply, sewerage, waste management	Construction	Wholesale and retail trade; repair of motor vehicles	Transportation and storage	Accommodation and food services	Information and communication
Armenia	35.39	1.43	7.61	2.09	0.62	5.00	9.76	4.16	1.60	1.83
Bangladesh	40.59	0.16	14.41	0.17	0.03	5.64	14.23	8.61	1.90	0.28
Brunei Darussalam	1.33	5.84	4.13	0.71	0.75	12.01	17.18	2.87	5.17	2.19
Cambodia	39.87	0.08	15.09	0.11	0.18	9.01	15.14	4.19	3.09	0.30
India	44.30	0.29	11.31	0.34	0.30	11.70	11.85	4.86	1.75	0.99
Indonesia	33.04	1.16	13.71	0.18	0.24	6.76	18.63	3.92	4.38	0.49
Iran	16.73	0.78	17.43	0.73	0.65	13.98	15.46	9.54	1.14	0.91
Japan	3.27	0.03	15.89	0.42	0.48	7.43	16.60	5.58	6.27	4.90
Mongolia	22.85	4.26	7.31	1.19	0.67	6.39	13.77	5.50	2.48	1.56
Pakistan	38.31	0.27	15.08	0.45	0.35	8.17	14.64	5.89	2.09	0.46
Philippines	24.77	0.47	8.09	0.21	0.15	9.40	20.52	7.45	3.73	0.89
Sri Lanka	25.33	0.74	18.39	0.30	0.31	7.84	13.87	6.29	2.84	0.79
Thailand	31.34	0.20	15.86	0.33	0.26	5.92	16.66	3.52	7.62	0.59
Timor-Leste	46.26	0.98	6.96	0.00	0.24	0.00	5.56	15.75	0.00	1.65
Turkey	17.55	0.50	18.92	0.46	0.63	5.73	13.89	4.51	5.14	0.90
Vietnam	32.61	0.33	21.31	0.32	0.31	8.80	13.70	3.71	5.05	0.65

Source: Authors elaboration, based on ILOSTAT (2022) with data from 2020 or latest available information.

Table A1. Distribution of employment in Asia and Pacific by sector of activity, based on the International Standard Industrial Classification of All Economic Activities (ISIC) Part 2

	Financial and insurance	Real estate	Professional, scientific and technical activities	Administrative and support services	Public administration and defence; social security	Education	Human health and social work	Arts, entertainment and recreation	Other services	Households as employers	Extraterritorial organizations and bodies	Unclassified
Armenia	1.50	0.25	1.34	0.92	7.64	9.31	4.13	1.95	2.83	0.10	0.28	0.09
Bangladesh	0.69	0.19	0.44	0.58	1.59	3.60	0.83	0.10	3.96	1.98	0.01	0.01
Brunei Darussalam	2.02	0.52	2.28	3.98	22.95	7.40	2.48	0.80	0.91	3.91	0.00	0.00
Cambodia	1.31	0.29	0.70	2.03	3.27	2.10	0.74	0.88	1.51	0.02	0.09	0.00
India	1.10	0.17	0.80	1.09	1.61	3.63	1.17	0.28	1.79	0.66	0.00	0.00
Indonesia	1.47	0.25	0.36	0.89	3.42	4.88	1.28	0.37	2.24	2.33	0.00	0.00
Iran	1.53	0.81	1.32	1.50	5.65	5.46	3.17	0.54	2.46	0.20	0.00	0.01
Japan	2.47	1.49	2.54	0.78	0.40	4.98	12.53	5.49	2.77	3.47	2.22	0.00
Mongolia	2.43	0.28	0.89	1.49	6.89	9.15	4.86	0.89	2.46	0.27	0.22	3.90
Pakistan	0.63	0.57	0.51	0.54	2.65	3.99	1.53	0.18	2.12	1.51	0.01	0.00
Philippines	1.41	0.49	0.66	4.09	6.51	3.27	1.38	0.59	1.76	4.20	0.00	0.00
Sri Lanka	2.30	0.16	1.10	2.51	5.33	5.21	2.07	0.59	1.65	2.29	0.07	0.00
Thailand	1.39	0.62	1.02	1.41	4.36	3.21	1.83	0.73	2.36	0.61	0.01	0.14
Timor-Leste	0.16	0.00	7.37	4.51	0.00	0.63	0.00	8.07	0.00	0.00	0.38	0.40
Turkey	1.17	1.09	3.27	3.26	7.33	6.72	5.47	0.46	2.50	0.45	0.03	0.00
Vietnam	0.86	0.61	0.66	0.69	2.70	3.72	1.13	0.50	1.92	0.40	0.01	0.00

Source: Authors elaboration, based on ILOSTAT (2022) with data from 2020 or latest available information.

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UNIVERSITETSVEJ 1, POSTBOX 260
4000 ROSKILDE, DENMARK

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