

Econometric Evaluation of Active Labour Market Policy in East Germany based on Regional Data

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Abstract

The paper stresses the necessity of econometric evaluation of active labour market policy (ALMP) based on regional data which stems from the relevance of indirect and general equilibrium effects. Moreover, the fundamental methodological problems of aggregate studies are discussed and three approaches to the evaluation of ALMP in East Germany are presented in greater detail. The evaluation includes the three largest ALMP programmes, i.e., job creation schemes (JCS), structural adjustment schemes (SAS), and public sponsored training (PT), and is based on two different regional datasets. The following approaches are presented: (1) an augmented matching function which evaluates the effects of ALMPs on regional matching efficiency (inflows into regular employment), (2) a reduced-form approach based on the Beveridge Curve, which assesses the effects on the regional job seeker rate (the unemployment rate plus the participants in ALMP), and (3) a (dynamic) labour demand model for regular employment. The estimation results indicate that the ALMP programmes have not been successful in enhancing the East German labour market situation.



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