

**Evaluating the Effectiveness of
Active Labor Programs in Poland**

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Executive Summary

To evaluate the effectiveness of active labor programs (ALPs) in Poland, surveys were conducted in early 1997 on randomly selected participant samples and strategically selected comparison samples in a group of eight voivods: Gorzów, Katowice, Konin, Kraków, Lublin, Olsztyn, Poznan, and Radom. This evaluation of ALPs in Poland was financed by the U.S. Department of Labor Bureau of International Labor Affairs, the European Training Foundation, and the W.E. Upjohn Institute for Employment Research. The project was coordinated by the World Bank with similar studies in Hungary, the Czech Republic, and Turkey.

Background

Unemployment in Poland jumped from zero in 1989 to 16.4 percent in 1994; it gradually declined and stood at 13.6 percent for 1996. Preliminary data for 1997 indicates a continued downward trend in the jobless rate. While the national population has grown during the 1990s, the measured size of the labor force has stagnated. In 1993 growth in real GDP resumed. The current GDP real growth rate of 6 percent per year leads Europe. By 1993 consumer price inflation began to abate. Inflation is now below 20 percent per year.

Poland is divided into 49 major administrative districts called voivods. Government in these areas are the political entities through which labor market support programs are provided. The Ministry of Labor and Social Policy is the leader in labor market policy. Services are provided to job seekers through a nationwide network of labor offices. The National Labor Office in Warsaw provides administrative support to the voivods and information on labor market trends and labor program activity. There are 49 voivod labor offices and over 500 local labor offices where programs are delivered to job seekers.

This report provides net impact estimates on employment and earnings for the five main ALPs used in Poland: retraining, employment service, public works, intervention works, and self-employment assistance. The report also identifies population subgroups across which program impacts differ. Additionally, estimates are given for the effect of ALP participation on receipt of unemployment compensation, and for net program benefits on a per participant basis from the perspective of the national labor office, all government, and society.

Employment Policy in Poland

The menu of ALPs available in Poland includes nearly all those available in countries with much longer histories of employment policy. Passive labor programs in Poland are limited to unemployment compensation, which is available for a finite duration to unemployed workers with sufficient recent work experience. After exhaustion of the unemployment benefit, there is only the means-tested general assistance available.

Total spending on ALPs and unemployment compensation (UC) for 1996 in Poland amounted to nearly 7.5 billion Polish zloty, or around \$2.5 billion U.S. This level is nearly 2.2 percent of the nation's gross domestic product. In recent years the share of employment program expenditures devoted to ALPs has been nearly 14 percent. The remainder of spending goes to passive labor support through UC. About 1.7 million people per year use Poland's labor programs, with nearly a quarter of them participating in an ALP.

In retraining, unemployed workers are given additional short-term job skill training to make them ready to fill job openings in the region. Retraining participants receive a stipend which has a 15 percent premium over the (UC) benefit.

The employment service is the central function of local labor offices. Local labor offices are one-stop-shopping places for reemployment assistance. They act as unified clearinghouses for referral to a variety of active and passive support. The ES offers a full range of placement services, including job interview referral, counseling, skills assessment, job search training, resume preparation, and job clubs.

Public works is a short-term direct job creation program with employment on projects organized by government agencies, including municipal governments. Stipends are set at 75 percent of the national average wage, which is more than double the 36 percent paid to UC recipients. The wage level makes clear the main aim of public works which is income transfer. Secondary aims of the program are to maintain job readiness skills of the unemployed and to contribute to the public health and infrastructure.

The intervention works program is much like public works except that projects may not compete with private companies and the wage paid by grants can be no more than the

unemployment compensation benefit. Projects may be operated by either public agencies or private companies. There may be no intervention works contracts given to employers who have laid off significant numbers of workers in recent months. There are also incentives for employers to permanently retain workers. After the end of an intervention works project, which may last up to 6 months, employers can receive wage subsidies for retained workers amounting to up to 150 percent of the national average wage. Intervention works operates essentially as a wage subsidy program.

Self-employment assistance is provided to a selected small fraction of registered unemployed through a loan program. The maximum loan is rather small, with the size limit being 20 times the national average wage. Loans are made at market rates of interest and must be repaid immediately in full if the planned enterprise is not initiated. A strong incentive for business survival is provided by a 50 percent principal reduction granted to businesses which survive at least two years.

Samples for Evaluation

Sample sizes were set to be large enough to ensure the reliability of overall program impact estimates. Ideally, important demographic and regional subgroup impacts could also be measured. ALP entry during the whole of 1995 was taken as the sampling frame for participants in retraining, public works, and intervention works. Random sampling of participants was done by birth date. Since a longer period is required to assess the effects of self-employment assistance, loan receipt during 1993 and 1994 was taken as the sampling frame. The small numbers involved meant that instead of random sampling of self-employment participants, an attempt was made to contact the whole population of assistance recipients. For other programs, sample sizes for each voivod were set to be in proportion to the number of program participants in the voivod. After the participant samples were selected, the observable exogenous characteristics of the groups selected were examined. The comparison group samples were drawn from the population of registered unemployed by matching persons in each of the ALP participant samples to the most similar person from the unemployment register of the same local labor office. Separate comparison group samples for each program were selected from among those who

registered as unemployed within the same time period and never participated in an active labor program.

To spread the burden somewhat, surveys were conducted in 80 local areas between February 15 and April 15, 1997. Administration of the questionnaires was managed by experts in the voivod labor offices

and conducted by staff of local labor offices. Some interviews were done during regular visits to labor offices by subjects who had previously been selected, other interviews were done during house-to-house visits. The overall survey response rate was 92.6.

For four of the ALPs, the sizes of the final participant and comparison samples analyzed are given in Table E.1. Among the 7,188 ALP program participants, 3,577 also used some particular assistance from the ES, while among the 7,169 comparison group members, 3,616 used assistance from the ES.

In contrast to a random sample of registered unemployed the retraining group is less male, younger, more educated, and with less work experience; the public works group is more male, younger, and less educated; the intervention works group is more female, younger, and with less work experience; and the self-employment group is more male, of prime working age, vocationally educated, with more work experience.

The similarity of program participants and comparison group members was examined using the characteristics of age, gender, education, occupational category, prior earnings, physical disability status, and household characteristics. This investigation revealed the comparison samples to be well matched to the participant samples. The matched samples are therefore ideal for computing net impacts while controlling for non-random participant selection into ALPs.

ALP Impacts on Employment and Earnings

Net impact estimates of ALPs on employment and earnings outcomes are given in Table E.2. There are four employment outcomes and one earnings outcome. They are

Table E.1 Participant Group and Matched Comparison Group Sample Sizes

Active Labor Program	Participant	Comparison
Retraining	2,879	2,885
Public Works	1,188	1,174
Intervention Works	2,412	2,410
Self-employment	709	700
TOTAL	7,188	7,169

EMPNORM - Ever employed in a non-subsidized job since program participation

EMPANY - Ever employed in any job since program participation

EMPNOWN - Now employed in a non-subsidized job

EMPNOWA - Now employed in any job

EARNNOW - Average monthly wage on current job

Table E.2 Summary of Net Impacts on Employment and Earnings for ALPs in Poland

Outcome	Retraining	Employment		Intervention	
		Service	Public Works	Works	Self-employment
EMPNORM	0.12**	0.02	-0.08**	0.26**	0.29**
EMPANY	0.10**	0.04	-0.05**	0.23**	0.28**
EMPNOWN	0.12**	0.00	-0.04**	0.24**	0.27**
EMPNOWA	0.14**	0.01	0.02	0.24**	0.24**
EARNNOW	23**	10**	-14	3	212**

* Impact statistically significant at the 90 percent level in a two-tailed test.

** Impact statistically significant at the 95 percent level in a two-tailed test.

A subgroup analysis of ALP impacts on the important outcome EMPNOWN, employed in a non-subsidized job or self-employment on the survey date, is provided in Table E.3.

Retraining resulted in more people (12 percentage points) getting into regular non-subsidized employment and a 23 Zł. gain in average monthly earnings. Retraining was more effective for prime-age workers, with a non-vocational background, who had occupations which could not be easily categorized into broad occupational groups, were not previously long-term unemployed, had either very short or rather long prior employment history, and lived in voivods with a high unemployment rate. It was also found that short-term skill focused retraining was most effective, and there was some evidence that retraining provided by private firms was more effective. It is better if retraining is provided by an adult education or other firm engaged in normal industrial activity rather than having training provided by an employment organization or having another labor-related group serve as the trainer.

**Table E.3 Net Impact Estimates of Active Labor Programs by Subgroup on the Outcome EMPNOWN
(Employed in a Normal Job on the Survey Date)**

Variable/label	Active Labor Program				
	Retraining	Employment Service	Public Works	Intervention Works	Self-employment
FEMALE - Respondent is female~	0.081**	0.007***#	-0.012	0.145***#	0.286***#
MALE - Respondent is male	0.104**	0.049	-0.046**	0.079**	0.030
AGELT30 - Age ≤ 30	0.080**	0.034***#	-0.043	0.109**	0.050
AGE3044 - Age between 30 and 44	0.170**	0.015***#	-0.056	0.185**	0.185**
AGEGE45 - Age is 45 or over~	0.002	-0.010**	0.037	0.215*	0.137*
EDELEM - 8 years/or less schooling	0.062	0.057***#	-0.069	0.150**	0.210**
EDVOC - Vocational secondary~	0.083**	0.020**	-0.027	0.117**	0.137**
EDGYM - General secondary	0.101**	0.050***#	0.121	0.153**	0.054
EDCOLL - Some higher education	0.145*	0.063***#	-0.022	-0.169##	-0.025
WHITECOL - White-collar occupation	0.066	-0.031***	0.010	0.099**	0.078*#
BLUECOL - Blue-collar occupation~	0.053	0.059*	-0.039*	0.074**	0.176**
OTHEROCC - Other occupation	0.103**	0.030***#	-0.094	0.158***#	0.144**
VOLUN - Voluntarily unemployed	0.142**	0.038***#	-0.002	0.092**	0.099*
NONVOL - Not voluntarily unemployed~	0.084**	0.028*	-0.046**	0.133**	0.146**
LTU - Long-term unemployed	0.026##	0.022***#	-0.069**	-0.052***#	-0.041##
NONLTU - Not unemployed long term~	0.142**	0.037*	-0.011	0.207**	0.225**
EXP0 - Work experience = zero	0.095**	0.025***#	-0.032	0.149***#	0.167**
EXPLE3 - Work experience ≤ 3 years	-0.156##	-0.054**	-0.071**	-0.215***#	0.254***#
EXPGT3 - Work experience > 3 years~	0.022	0.064**	-0.148*	-0.011	0.088
EXPGT10 - Work experience ≥ 11 years~ ¹			-0.025		0.092**
LOWURATE - Low unemployment area	0.064***#	0.041***#	0.004	0.092**	0.132**
HIURATE - High unemployment area~	0.116**	0.021**	-0.054**	0.133**	0.137**
GORZOW - Voivod is Gorzów	0.072	-0.024***#	-0.019	0.156**	0.079
KATOWICE - Voivod is Katowice	0.062**	0.031***#	-0.027	0.078***#	0.150**
KONIN - Voivod is Konin	0.075	0.089***#	-0.047	0.192**	0.149*
KRAKOW - Voivod is Kraków	0.151**	0.073***#	-0.039	0.243**	0.136
LUBLIN - Voivod is Lublin	0.111**	-0.031***	-0.048	0.024##	0.084
OLSZTYN - Voivod is Olsztyn	0.164**	-0.008***#	-0.101***#	0.132**	0.184**
POZNAN - Voivod is Poznan	0.040	0.041***#	0.054	0.002##	0.105
RADOM - Voivod is Radom~	0.088	0.087*	0.014	0.194**	0.191**

* Statistically significant at the 90 percent confidence level in a two-tailed test.

** Statistically significant at the 95 percent confidence level in a two-tailed test.

Significantly different from the reference group at the 90 percent confidence level in a two-tailed test.

Significantly different from the reference group at the 95 percent confidence level in a two-tailed test.

~ Reference group for subgroup differences; excluded in estimation.

¹ For Public Works and Self-employment, EXPGT3 equals work experience between 4 and 10 years inclusive.

Controlling for observable factors, including participation in any other ALP, use of the employment service (ES) has no measurable effect on reemployment. However, using the ES appears to raise average monthly earnings among those employed at the survey date by 10 Zl. The ES impacts across subgroups were significantly larger for females, younger workers, those with other than vocational secondary education, those from blue-collar occupations, those who became voluntarily unemployed, not long-term unemployed, and those with no prior work experience. The most popular ES service is referral to job interviews.

Public works resulted in an 8 percentage point decline in getting into a normal job during the period observed, a 5 percentage point decline in ever getting into any other job, a 4 percentage point decline in being in a normal job on the survey date, and no significant effect on average monthly earnings. These negative impacts were all smaller than expected based on prior evidence about public service employment in Hungary. A subgroup analysis of public works impact on employment and earnings revealed no significant differences across subgroups. However, the results suggested that public works would lead to an earnings rise for women, improved employment prospects for older workers, least hinder reemployment for those with less than eight years of formal schooling, benefit those whose previous experience was in a white collar occupation and those who were not long-term unemployed. It was also found that short-term public works hindered future labor market success less than did a longer term involvement, and there was some evidence that public works provided by private firms was more effective. It is better if public works is provided by a group other than an agency of the national government.

Intervention works in Poland is estimated to increase the probability of ever finding a normal job by 26 percentage points and of being in a normal job on the survey date by 24 percentage points. Broadening the definition of reemployment to also include subsidized jobs after intervention works, the impact on ever getting into any job was 23 percentage points and the impact on being in any job on the survey date was 24 percentage points. A subgroup analysis of intervention works impact on employment and earnings revealed that intervention works boosted reemployment rates for females, older workers, those with less than college schooling, those who are not long-term unemployed, and those without prior work experience. It appears that having

worked for a publicly owned enterprise on an intervention works job boosts the reemployment more than if the project was run by a private firm.

Self-employment in Poland is estimated to increase the probability of getting into a normal job or non-subsidized self-employment by 29 percent and to raise the chance of a similar outcome at the survey date by 27 percentage points. Broadening the definition of reemployment to also include subsidized jobs after self-employment, the impact on ever getting into any job was 28 percentage points and the impact on being in any job on the survey date was 24 percentage points. It was also found that 26.7 percent of those receiving a self-employment loan hired at least one other worker for their enterprise. Indeed one successful loan recipient claims to have hired 73 workers. The mean number of workers hired by those who did hire someone was 3.13 employees. The mean hired among all loan recipients was 0.83 employees. A subgroup analysis indicated that self-employment boosted reemployment rates most among females, those whose previous experience was in a blue-collar occupation, those with no prior registered unemployment, and a positive but small amount of prior work experience.

Impacts of Various Program Features

The rich information gathered during the evaluation permitted examination of how various aspects of ALPs influenced program effectiveness. These aspects of ALPs included the duration of program participation, the type of ownership of the ALP provider, and the industry of the ALP organizer. To provide a summary of findings we examine the impacts of program features on being employed in a normal non-subsidized job on the survey date (EMPDOWN). Impact estimates are given in Table E.4.

It was possible to examine three aspects of retraining. The impact on employment was significantly larger for those in retraining for one month or less. There was also an advantage if retraining was provided by a private rather than a public organization. The least effective industry for providing retraining was found to be the public employment organization.

The most important finding about public works is that when projects are run by private companies there is a positive impact on employment outcomes. The impact on EMPDOWN for public works operated by private companies is 10 percentage points, this impact is positive and

Table E.4 Impacts of Various Features of ALPs on the Outcome “employed in a normal job on the survey date” (EMPNOWN)

	Retraining	Public Works	Intervention Works	Self-employment
Duration				
Less than 1 month	0.19**			
1 to 3 months	0.12**aa			
4 or more months	0.10**aa			
Less than 6 months		-0.05*	0.16**	
6 months		-0.04*	0.27**a	
7 or more months		-0.11**	0.08**a	
Ownership of Provider				
Public	0.10**	-0.05**	0.25**	
Private	0.14**aa	0.10**a	0.25**	
Industry of Provider				
Adult education	0.14**			
Employment or other organization	0.08**a			
Industry (private)	0.11**			
National government		-0.07**	0.14**	
Health care provider			0.42**a	
Other		0.01a	0.23**ab	
Type of Enterprise				
National administration				0.070
Services				0.061
Trade and restaurants				0.068*
Manufacturing and construction				-0.033ac

* Statistically significant at the 90 percent confidence level in a two-tailed test.

** Statistically significant at the 95 percent confidence level in a two-tailed test.

a Significantly different from the first category at the 90 percent confidence level in a two-tailed test.

b Significantly different from the second category at the 90 percent confidence level in a two-tailed test.

c Significantly different from the third category at the 90 percent confidence level in a two-tailed test.

significantly different from the -5 percentage point impact of public works programs run by a government agency. Involvement in public works generally diminished reemployment prospects. The standard term of participation in public works was 6 months and this duration appeared to be least detrimental, particularly compared to longer term involvement. When the national government operated the public works project, the transition to normal non-subsidized employment appeared to be hurt the most.

Among intervention works participants, 61.7 percent were involved for exactly 6 months. Participation of this duration also appeared to raise reemployment in a normal job on the survey date by 27 percentage points, which was significantly greater than the 16 percentage point gain for shorter involvement and the 8 percentage point gain for longer involvement. Unlike public

works, the impact of intervention works did not differ depending on whether the program operator was a public or private firm. Also unlike public works, intervention works impacts appeared to be greatest when the program was operated by a national government agency.

Self-employment in services, trade, or restaurants was more likely to result in stable employment than self-employment in manufacturing or construction. However, the differences across these industry groups were not statistically significant.

ALPs Impact on Unemployment Compensation

Net impacts of ALPs on unemployment compensation (UC) are summarized in Table E.5. Participation in retraining was estimated to prolong UC by 1.14 months and increase payments by 288 Zl. ES users in the combined sample of all observations drew 0.05 fewer months but approximately 8 Zl. more in UC benefits than those the combined sample of all observations who used no ES services. Public works participation increased the duration of UC by 0.93 months and increased payments by 315 Zl. Intervention works participation reduced the duration UC by 2.26 months and reduced payments by 546 Zl. Receipt of self-employment assistance resulted in 3.64 fewer months of UC and reduced payments by 792 Zl.

Table E.5 Summary of Net Impacts on Unemployment Compensation for ALPs in Poland

Outcome	Retraining	Employment Service	Public Works	Intervention Works	Self-employment
UCMONTHS	1.14**	-0.05**	0.93**	-2.26**	-3.64**
UCPAY	288**	8**	315**	-546**	-792**

Net Benefits of ALPs

The net benefits of ALPs are assessed from three perspectives: the National Labor Office, all government, and all society. From the perspective of the National Labor Office, the benefit is any savings in UC payments, and the costs are the direct costs of operating the ALP and the administrative cost of contracting, monitoring, referring participants and follow-up. A somewhat broader perspective in assessing the net benefits of a public program is all government (by all

government we mean the collection of all agencies which collect taxes and dispense public services). In addition to the benefits and costs for the National Labor Office, net benefits to all government also depend on any change in tax revenue which results from a change in employment. The third perspective for net benefits is that for society as a whole. Real gains to society accrue if the aggregate value of economic output increases. Additions to social economic output are estimated by the increased value of earnings. From this we must deduct costs which society incurs by having retraining which would not have been otherwise experienced. These costs include the direct and administrative costs of the program. The impact on unemployment compensation payments does not figure into the social net benefit computation as these are simply transfer payments from one group in society to another, and transfer payments have no effect on total social economic output.

Per participant net benefits for ALPs in Poland are summarized in Table E.6. The table includes three panels. The top panel lists net benefits, choosing retraining as the reference; the middle panel presents net benefits for the other ALPs as a percentage of retraining benefits; and the bottom panel presents the net benefits per percentage point increase in employment rates (EMPNOWN). In the bottom panel, no numbers are given for the ES and public works as the employment impacts were negligible and negative respectively for these programs.

Using the net costs for retraining as the standard of measure, from the perspective of the National Labor Office, net costs per participant in the ES, public works, intervention works and self-employment are 8 percent, 214 percent, 96 percent and 607 percent of retraining costs, respectively. The net cost of intervention works is on a par with retraining while self-employment costs 6 times retraining. From the third panel, the cost to the National Labor Office of raising the reemployment probability by 1 percentage point is 107 Zl. for retraining, 52 Zl. (or less than half the retraining cost) for intervention works, and 289 PLZ (or nearly three times the retraining cost) for self-employment. The appeal of intervention works from this perspective comes from the relatively large UC savings.

Table E.6 Summary of Net Benefits for ALPs in Poland

Perspective	Retraining	Employment Service	Public Works	Intervention Works	Self-employment
NET BENEFITS					
National Labor Office	-1,285	-98	-2,751	-1,236	-7,797
National government	-1,151	-122	-2,972	-1,037	-7,979
All society	-326	-211	15,155	17,909	-9,459
NET BENEFITS AS A PERCENTAGE OF RETRAINING NET BENEFITS					
National Labor Office	-100	-8	-214	-96	-607
National government	-100	-11	-258	-90	-693
All society	-100	-65	4,649	5,494	-2,902
NET BENEFITS PER PERCENTAGE POINT INCREASE IN EMPLOYMENT RATES					
National Labor Office	-107	-	-	-52	-289
National government	-96	-	-	-43	-296
All society	-27	-	-	746	-350

From the perspective of the national government, the benefit-cost assessment of the ALPs results in a relative ranking much like that for the National Labor Office perspective. Intervention works appears to be even more appealing because of a modest tax contribution which enters the calculation.

From the perspective of all society, public works and intervention works are listed as having positive and large net benefits. This result is due to estimates provided for the Poznań voivod with the social value of output of these works programs valued at the labor and material input costs. From the perspective of all society, the net cost of retraining is a low 326 Zł., with the ES costing even lower at 211 Zł. per service user. From any perspective, self-employment appears to be a relatively costly reemployment option.