Do Firms Benefit from Active Labour Market Policies?

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Abstract

This paper investigates the link between variation in the supply of workers who participate in specific types of active labour market policies (ALMPs) and firm performance using a new exceptionally informative German employer-employee data base. For identification we exploit that German local employment agencies (LEAs) have a high degree of autonomy to determine their own mix of ALMPs and that firms' hiring regions overlap only imperfectly with the areas of responsibility of the LEAs. Our results indicate that in general firms do not benefit from ALMPs and in some cases may even be harmed by certain programs, in by subsidized employment and long further vocational training programs. These findings complement the negative assessment of the cost-effectiveness of ALMPs from the empirical literature on the effects for participants.

(joint with Patrycja Scioch and Conny Wunsch)