

Swedish Labor Market Programs: Efficiency and Timing – Erratum

In my article “Swedish Labor Market Programs: Efficiency and Timing” in Swedish Economic Policy Review 2, No. 1, 1995, the results consist of two parts. The probability of going directly from a program to regular work is estimated in Section 3.1, and the overall exit rate to a regular job over a longer period after participating in a program is examined in Section 3.2. Unfortunately, the analysis in the latter section turned out to be incorrect. The reason is that the individuals going *directly* from a program to a job were not included among those who obtained a regular job. This error was pointed out to me by Karl Martin Sjöstrand at the National Labour Market Board (see also Sjöstrand, 1996 and Ackum Agell, 1996).

The results, as they appear in Section 3.2, can thus not be taken to indicate that participants in labor market programs exit to regular employment at a slower rate than non-participants, as claimed in my article. They can only be interpreted in terms of differences in exit rates to regular employment among individuals who participate in a program and subsequently experience a period of unemployment before finding a regular job, and non-participants. This, however, cannot be regarded as an evaluation of the effectiveness of labor market programs.

Reestimation of the duration equations in Section 3.2 will require a respecification of the theoretical framework. The following three modifications would have to be considered. First, a model has to be specified where unemployment spells of zero are allowed. (Zero days are appropriate for individuals who go directly from a program to regular work, with no intermediate spell of unemployment.) Second, the model should be elaborated to consider the sample selection problem that can arise because individuals who go directly from a program to a job may have inherently “better” characteristics than those who experience a spell of unemployment before finding a job. Third, one would have to take into account the more conventional sample selection problem that occurs because participants in labor market programs are likely to have been unemployed prior to participation and therefore cannot be directly compared to the newly unemployed. These respecifications due to sample selection represent a major research task, and it is not clear from the literature how it should be carried out.

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References

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- Sjöstrand, K.M. (1996), Hastverk om arbetsmarknadspolitiska åtgärder (Overhasty Work on Labor Market Programs), Ekonomisk Debatt 24, 39–51.