# Estimating the impact of job-search assistance: Assessment of a Russian programme targeting very low-income families

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The countries of central and eastern Europe have devoted considerable resources to active labour market programmes (ALPs); those in the Commonwealth of Independent States (CIS), considerably less. For example, data for the Czech Republic, Hungary and Poland suggest that these countries spent around 0.5 per cent of their GDP on ALPs in 1995-96 (Dar and Tzannatos, 1999, table 3.1). In the late 1990s, the World Bank (2004) estimated that the overall figure for the central and eastern European countries averaged 0.4 per cent. In Russia, by contrast, spending on all employment programmes was only 0.21 per cent of GDP in 1999; and of this, merely 18 per cent went to ALPs (World Bank, 2003). Besides, unemployment benefits were nugatory and often months late in being paid.<sup>1</sup> Even in central European countries, however, there have been few impact evaluations of ALPs. The

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<sup>&</sup>lt;sup>1</sup>Dmitriev and Maleva (1997) report that in mid-1997 the average unemployment benefit was about 67 per cent of the subsistence income level (poverty line); but 43 per cent of recipients received benefits equivalent to the minimum wage, i.e. about 18 per cent of the subsistence income (p. 1520). Unemployment benefits are limited to 12-15 months and there is no provision under Federation laws for assistance to those who exhaust these benefits and are still unemployed. These persons then rely on assistance from local governments (see also Gimpel'son and Magun, 1995; Javeline, 2003).

analyses for Hungary, Poland and the Czech Republic summarized in the monograph by Fretwell, Benus and O'Leary (1999) constitute the major exception.<sup>2</sup>

This article presents the results of an impact evaluation of an ALP pioneered in the Russian city of Perm. Because an earlier assessment of this programme indicated that it was very successful in placing workers in jobs (Alexandrova, Chagin and Struyk, 2004), it has since been replicated in several other jurisdictions. By 2003, the programme had been adopted by a dozen towns in Perm Oblast and by the capital city of another region. It is therefore important to evaluate this programme rigorously before it is adopted more widely still.

The remainder of the article is divided into six sections. The first provides some background on ALPs in Russia. This is followed by a description of Perm's benefit-to-wages programme. The third section outlines the evaluation methodology; the fourth presents the model specifications; and the fifth, the evaluation results. Some concluding remarks are offered in the final section.

## ALPs in Russia

At the Russian Federation level, in 2003 ALPs were the responsibility of the Ministry of Labour and Social Development (MLSD); in the "Subjects of the Federation" (i.e. provinces) they were developed by MLSD's regional employment agencies and the executive authorities of the provinces. The costs of ALPs were in principle shared between the Federal and provincial governments.<sup>3</sup> But this cost-sharing was not based on any particular formula and the initiative clearly rested with the regions. Such small programmes as were funded have strongly favoured job creation/preservation and vocational training; job creation/preservation accounted for the great majority of spending in the early transition period and enjoyed about the same level of support at the end of the 1990s (World Bank, 2003, ch. 4). The combination of low funding levels for ALPs from higher-level government authorities and local governments' strong interest in economic development has spurred local governments into action on employment. Some local authorities have recently begun implementing ALPs of their own to speed up the re-employment of workers made jobless during spells of economic instability.

<sup>&</sup>lt;sup>2</sup> For additional detail, see O'Leary (1997) and O'Leary, Koodziejczyk and Lázár (1998). A general review of evaluation results of such programmes is provided in Dar and Tzannatos (1999).

<sup>&</sup>lt;sup>3</sup> Until 2001, unemployment benefits and ALPs were funded through payroll taxes paid into the State Employment Fund and supplemented by appropriations from the Federal budget. But since 2001, cash unemployment benefits and associated administrative expenses have been funded directly from the Federal budget.

With local governments now becoming more performance-oriented, one of the key questions in assessing their ALPs is the success of these programmes in achieving re-employment. A second question is which groups of the unemployed benefit from training and other types of assistance. Since local government budgets in Russia are notoriously tight, efficient targeting is critical (on budgeting issues, see Freinkman, Treisman and Titov, 1999; Saburov, Tipenko and Cherniavskii, 2001). It should be noted that targeting can have two dimensions in this context. The first is the direction of ALP resources to different groups defined on the basis on their employability: while some argue that available resources should go to those who have the greatest difficulty finding re-employment, others argue for using resources to maximize the number of placements (see Puhani and Steiner, 1997; Fretwell, Benus and O'Leary, 1999; Fay, 1996). The other dimension of targeting is the allocation of ALP resources to unemployed persons from households with very low incomes. This means designing allocations to make ALPs an explicit tool for combating poverty. For example, the 1996 reform of the welfare system in the United States was a change in this direction; the reforms both restricted the duration of family entitlement to cash welfare payments and greatly increased the assistance provided to employable adults in preparing for work and finding a job (for an overview, see Weil and Finegold, 2002).

## The Perm benefits-to-wages programme

The Perm programme was legislated in early 2000 and has since been reauthorized and funded annually by the local legislature (Duma). The programme offers a time-limited cash benefit to very low-income families with at least one child present and having at least one unemployed adult member. Among the participants surveyed for this study, over 70 per cent stated that they spent two-thirds or more of their income on food. Officially, the programme serves families whose per capita income is less than 70 per cent of the per capita subsistence minimum, which is equivalent to about US\$2 per day.

In exchange for the cash benefit, the unemployed person agrees to look actively for a job and possibly participate in training, job clubs and other activities. The unemployed volunteer to participate. In other words, this is an anti-poverty programme using ALP interventions. The programme was piloted on a smaller scale in 2000-2001, and the lessons learned from the pilot stage were incorporated into the design of the current programme, which began operations in 2002.<sup>4</sup>

<sup>&</sup>lt;sup>4</sup> The results and lessons of the pilot programme are summarized in Gallagher and Struyk (2001). A process evaluation of the programme in its current form was carried out in 2002-2003 (see Alexandrova, Chagin and Struyk, 2004). The analysis presented in this article uses data on participants in 2003, with the interviews conducted in 2004.

Participation is limited by the budget appropriated for each year. Typically, 150-200 participants are served. For eligible families that choose to participate, the benefit replaces a poorly targeted semiannual poverty benefit available to all low-income families in Perm. Under the current programme, the benefit is paid monthly but computed quarterly. It is determined on the basis of household size and income, and ranges from 10 to 75 per cent of the monthly per-capita subsistence level times the number of persons in the household. (See table 1 for a summary of programme characteristics.) A critical feature of the programme is that payments typically continue for a three-month period after the participant obtains a job, providing a strong incentive to find work. Benefit amounts are computed every three months, regardless of changes in employment status. Participants finding jobs before the end of a three-month period thus continue to receive the original subsidy until the end of the period. Then, the first 200 rubles of earnings are discounted in computing the benefit payment, and the benefit amount is reduced by 25 per cent of earned income after the discount.

Target population	• The eligibility age for a child is up to 18 or, to 23 if a child is a high school student.
	• The eligibility family per capita income is 70% of the sub- sistence minimum.
	• An unemployed family member must not be an officially registered private entrepreneur. <sup>1</sup>
Benefits	Monthly cash benefit determined as follows. Per capita benefit equals 70% of subsistence minimum minus the sum of monthly per capita unearned income plus 75% of monthly per capita earned income. <sup>2</sup> The per capita benefit is multiplied by an equivalence scale to determine monthly benefit. If the participant obtains a job, the first 200 rubles of earnings is not counted in computing the benefit.
Maximum benefit	2,300 rubles per capita per month. <sup>3</sup>
Benefit maintenance requirements	The unemployed member of the family must participate in employment service requirements as determined by the caseworker and receive assigned social services.
Penalties for non-compliance	A differentiated system of penalties, with the severity of the penalty depending on the severity of the violation.
Coverage	Limited entitlement. For example, in 2003 there were a maximum of 148 families at any given time in all seven city districts.
Implementing agencies (level of government)	Municipal and District Departments of Social Protection (local); District Employment centres (federal).
Dates of implementation	May 2003 – December 2003.

Table 1. Characteristics of the Perm benefits-to-wages programme

<sup>1</sup> This requirement was introduced because, according to federal legislation, employment services are not provided to officially registered private entrepreneurs. <sup>2</sup> The calculation is done for the household first and then the per capita benefit is computed by dividing the household benefit by the number of persons in the household. <sup>3</sup> As of January 2004 the exchange rate was about RU 29 = US\$1.

Participants can also obtain help from social workers assigned to the programme in accessing an array of social services. These range from child care to counselling for alcohol or drug abuse problems. Unemployed members of participating families are required to meet employment-focused requirements – e.g. job search or job training – in order to continue to receive the benefit. A formal contract is concluded between the agency and the participant regarding the responsibilities of both parties.

In addition to the introduction of a new means-tested benefit, the pilot programme involved considerable administrative reform. Most notably, the city developed a new application form for use with the new benefit that was much more detailed than the forms used for other municipal social assistance programmes. The initiative also involved new forms of cooperation between social protection agencies. The employment service requirements that participants have to fulfil to qualify for benefits required the development of links between the jobs benefit office and the federally administered local employment centre (EC). Local EC offices operate in each district.

For the purposes of actual programme operations, two intake/case workers are assigned to each district office on a part-time basis. The earlier assessment identified significant variation across offices in the degree of interaction with participants, depending on the initiative of office staff and the time they were able to devote to the programme (Alexandrova, Chagin and Struyk, 2004). Nevertheless, the compliance of participants with the terms of their contracts was quite closely monitored. The social workers checked weekly with the EC office about job search; they also monitored the use of those social services for which the beneficiary had signed up, and met monthly with the beneficiary to check overall participation.

The ECs were to give priority to programme participants in terms of training and job referrals. However, from interviews with EC staff at the time of the 2002 assessment it emerged that the centres discharged their agreed duties to varying degrees. On balance, the programme is best characterized as a "labour attachment strategy" (emphasizing quick job acquisition) with elements of a human capital development strategy.

Table 2 shows the job acquisition results for programme years 2002 and 2003.<sup>5</sup> Clearly the programme has been highly successful in placing workers in jobs. Indeed, in 2002 nearly three-quarters of participants had obtained jobs by the time of the survey, and many of the unemployed still had a couple of months remaining before they were due to leave the programme. For 2003, the results are not as good, but

<sup>&</sup>lt;sup>5</sup> A programme year corresponds to the calendar year, which is also the fiscal year, with new appropriations required each year. Participants are recruited from spring to autumn.

District	2002		2003		
	Participating families	Number who found jobs <sup>1</sup>	Participating families	Number who found jobs	
Sverdlovsky	45	39	30	30	
Dzerzhinsky	45	30	24	6	
Motovilikha	45	31	30	15	
Industrialny	45	33	30	24	
Leninsky	-	-	14	4	
Ordzhonikidzevsky	-	-	10	4	
Kirovsky	-	-	10	5	
Total	180	133	148	88	

# Table 2. Number of participants and successful jobseekers by municipal district, for programme years 2002 and 2003

 $^{\rm 1}$  Three participants had found jobs and lost them by the time of the interviews. They are not included among those counted as having a job. -= no data.

still impressive: 60 per cent of participants found employment. Broadly, these results are consistent with those of other programmes designed to raise the net income from employment.<sup>6</sup>

# Evaluation methodology

This section outlines the questions addressed and presents the structure of the evaluation and the composition of the control groups.

## Questions addressed

The evaluation addresses the following three primary questions.

1. Do programme participants find jobs at a higher rate than similar workers who do not participate? There are grounds for believing that this may be the case. In particular, a senior programme administrator in each district conducted a final screening of workers for "work readiness". This procedure is not documented but it appears to have involved judgments about the applicant's willingness to work. In addition, in the 2002 assessment of the programme, participants reported that the extra income made it easier for them to search for jobs. These factors, combined with the monitoring of participants' compliance with programme requirements, suggest grounds for believing the programme could be effective in this respect.

<sup>&</sup>lt;sup>6</sup> For example, evaluations of the Earned Income Tax Credit in the United States have found a substantial impact on workforce participation (Liebman, 1998; Meyer and Rosenbaum, 1999). A positive impact on earnings was also found in the Michigan welfare programme when the earnings discount was increased (Werner and Kornfeld, 1996).

2. Do programme participants find jobs that pay higher wages than the jobs found by similar workers who do not participate? The evidence from the earlier assessment was that participants generally secured lowwage jobs at modest skill levels and that there was little differentiation in the likelihood of finding a job matching the applicant's qualifications. Only 40 per cent of employed participants stated that their current job corresponded to their usual occupation. However, there was evidence that wages varied positively with qualifications. One interpretation of these findings is that the programme put considerable pressure on participants to find jobs quickly, notably through the incentives of the benefit structure whereby the benefit level was recomputed only every three months. Thus, a worker who found a job very quickly would receive both wages and the benefit calculated without the new wages taken into account for two months or more. So our hypothesis is that the wages of programme participants may be lower than those of other recently employed workers, other factors held constant.

3. Did programme participants continue to be employed after they left the programme? The earlier assessment was completed while many of the workers in the group recruited during 2002 were still receiving benefits. So no information was available on this point. If, however, participants took relatively low-wage jobs as a result of their participation in the programme, one could expect high mobility to other, better paying jobs and to unemployment while they search for a better paying job.

## Evaluation structure and control groups

A quasi-experimental approach is employed for the analysis.<sup>7</sup> To address questions 1 and 2, it was necessary to construct a control group. Since the key problem in impact evaluations is selection bias in forming the control group, the analysis presented here employs two control groups. In order to match programme participants for 2003, the controls in both groups meet the general requirements of programme participation, i.e. unemployed adult in family, income below 70 per cent of the subsistence minimum, and one or more children present. The con-

<sup>&</sup>lt;sup>7</sup> We are aware of the differences documented in comparative impact analyses between those using quasi-experimental and random assignment methods. In an attempt to ensure that our findings approximate those of an experiment, we followed the lessons drawn by Glazerman, Levy and Myers (2002, pp. 46-47) based on their detailed analysis of the factors that apparently account for differences between quasi-experimental and experimental results. In particular, the control group was drawn from a very similar population, and we included pre-intervention variables of the outcomes in the regression models employed. Our control group selection is also consistent with the results of specific analyses comparing experimental and quasi-experimental impact estimates. Heckman and Hotz (1989), Friedlander and Robins (1995), and Michalopoulos, Bloom and Hill (2004) find that drawing controls from the same local labour market and data sources results lead to less biased results for quasi-experimental estimates.

trols are also individuals who applied for assistance in obtaining employment. The first group – referred to hereafter as *overflow controls* – are persons who applied for assistance under the programme but who were rejected in the final screening. There were 43 such applicants, 13 of whom were disqualified because they were pregnant or physically disabled. Since the other 30 members of the control group were rejected on grounds of insufficient "work readiness" they might be expected to have fared less well in finding a job than programme participants.<sup>8</sup> However, this control group does well in terms of minimizing selection bias because it consists of individuals who tried to join the programme. The team succeeded in interviewing 21 of these unsuccessful applicants.

In terms of the analysis by Friedlander, Greenberg and Robins (2000, pp. 264-267) of the impact of selection bias in quasi-experimental evaluations of ALP effects on observed post-programme earnings, the rejection of less work-ready applicants is an instance of "selection on observables". Where programme participants are selected only on the basis of observed characteristics, the estimation of participants' additional earnings can be unbiased. Assuming the administrators' judgments about work readiness are valid, one can indeed expect positive earnings and job acquisition differentials in favour of programme participants. The estimated differences should set the upper bound of programme impact because they reflect both the effect of the programme and the effect of observed differences in readiness.<sup>9</sup>

Despite the strong attributes of the overflow controls, the small number of individuals in this group was a matter of concern. Therefore, random samples of unemployed workers who had applied for benefits in two district ECs were also selected. For the purposes of this study, these are called *EC controls*. The samples were structured broadly to match the time profile of when participants joined the programme under study, i.e. the same proportions of participants and controls joined their respective programmes in the same month. Importantly, this group of controls also had to apply for assistance. Applicants found to be eligible received an unemployment benefit for three months on average. The benefit was computed as a certain proportion of previous wages but could not exceed 75 per cent of the subsistence level. In late 2003, the average payment was 1,000 rubles per month. The low benefit amount suggests that applicants might also have been interested in

<sup>&</sup>lt;sup>8</sup> Analyses of the effects of this type of screening are comparatively rare. Bell and Orr (2002) is one exception.

<sup>&</sup>lt;sup>9</sup> An analysis by Bell et al. (1995), comparing experimental results with those of quasiexperimental analyses employing three different types of control group, found that the control group consisting of the "screened out" – i.e. those judged inappropriate for the programme by intake staff – produced the most accurate non-experimental results.

assistance in finding a job. The controls in this group were expected not to display the same type of difference from programme participants as the overflow controls. Indeed, in this case both groups of participants were likely to have similar earnings potential, especially for the kinds of jobs available through the EC.

Records at the EC offices contained all the information needed to match EC controls with programme participants except in regard to income. So a larger sample than required was selected, and actual EC controls were identified through questions about income asked in the course of household interviews. The final EC sample size was 204, as compared with the 123 programme participants successfully interviewed.

The analysis of differences between programme participants and controls was conducted separately for each of the two control groups. In addition to looking at differences in mean outcomes, we also estimated regression models that controlled for differences in human capital endowment and work experience between participants and controls. (The control variables are described in the next section.) Impact estimates obtained from such multivariate regression models are termed *regression adjusted programme impacts*.

To address the third question, on continuing employment, the outcomes for persons who had participated in the programme in 2002 were tracked. As suggested, the expectation was to find substantial mobility among jobs. Of the 174 persons interviewed in January 2003 for the earlier assessment, 145 were re-interviewed about their current employment status, type of work, and wages in April 2004. Because there was no control group in the earlier assessment, however, differential outcomes associated with the programme could not be identified.

Three types of information were assembled for the evaluation, namely:

- 1. Data from administrative records applications forms, records on social services received, training received, job search and employment experience;
- 2. Structured interviews with the senior programme administrator in the city administration;
- 3. Structured interviews with programme participants and controls in their homes.

The senior programme administrator was interviewed in January 2004 and the participants in April-May 2004. The household interviews with participants provided detailed information on the demographic and economic structure of each participant's household, information on the education and prior work experience of the participant, training and other EC services received by the participant, additional social services

received by the household from the programme, and the participant's job-search and work experience under the programme. The interviews with controls covered similar domains, except for those questions relating specifically to the programme. In particular, controls were asked about receipt of the general poverty benefit and various social services.

## Comparison of treatment and control groups

Table 3 presents information on some of the key characteristics of workers in the four groups under analysis: programme participants in 2003 (PP03), programme participants in 2002 (PP02), rejected 2003 programme applicants (REJ), and EC controls. The samples for 2003 are similar in terms of the percentage of males, the distribution of years of education, and the distribution of type of job last held. But they differ

Variable	Group				_
	PP03	REJ	EC	PP02	
Percentage male	10.6	0	7.4	6.9	
Mean age	36.9	39.3*	34.2*	36.8	
Educational attainment distribution					
Primary school or below	0	0	0	0	
Incomplete secondary school	4.9	9.5	5.4	3.4	
Secondary general	18.7	19.0	10.3	18.6	
Vocational school	53.7	42.9	56.7	55.2	
Incomplete higher education	4.1	4.8	3.4	2.1	
Higher education	18.7	23.8	24.1	20.7	
Time out of work					
Up to 3 months	16.4	52.9*	48.0*	-	
3-6 months	23.8	17.6	11.5	-	
6-12 months	24.6	5.9	8.5	-	
Over a year	35.2	23.5	32.0	-	
Type of job last held as					
Low-skilled worker	20.7	25.0	18.8	-	
Skilled worker	40.5	56.3	29.5	-	
Service person	9.5	12.5	11.4	-	
Professional (e.g. engineer)	12.9	0	9.7	-	
Manager, head of department	3.4	0	1.1	-	
Other	12.9	6.3	29.5	-	
Sample size	123	21	204	145	

Table 3. Characteristics of experimental and control samples

\* Indicates a significant difference for this variable between this group and PP03 at the .05 level or higher. T-tests were used for the differences in means. For differences in distributions, significant differences had to be indicated by the Mann-Whitney test and/or the two-sample Kolmogorov-Smirnov test. – = no data.

Table 4.	Dependent	variables
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Question	Variable		
1. Do programme participants find jobs at	There are 2 specifications.		
a higher rate than similar workers who do not participate?	1. Var = 1, if worker found a job since entering the programme or, for controls, since registering with the EC or being rejected by programme administrator. (Var = 1, whether they still have the job or not.)		
	2. Same as specification 1 but worker must still have a job, regardless of whether it is the first job or not since applying for a programme.		
2. Are programme participants getting paid more in their new job?	Var = monthly wages. Population used in the analysis is restricted to those workers employed at the time of the survey.		
3. Did year-2002 participants continue to be employed after they left the programme?	Var = 1, if worker is employed at the time of the interview.		

in terms of mean age and the distribution of time spent out of work, with the control samples both containing a higher share of persons relatively recently unemployed.

The fact that such a small percentage of participants were male can most probably be explained by the programme requirement that at least one adult in the household be unemployed. The programme thus appears primarily to be helping wives or female partners to return to employment.

## Model specifications

This section discusses definitions for the dependent, control, and programme specification variables, as well as the model specification.

#### Dependent variables

The dependent variables corresponding to each of the three questions listed in the previous section are presented in table 4. In the balance of the presentation, the models estimated for the three outcomes are referred to as models 1, 2 and 3, respectively.

## Control variables for models 1 and 2

Because of the significant differences in characteristics between the PP03 group and the two control groups (EC and REJ), it is important to control for differences in workers' attributes when identifying programme impacts. The upper panel of table 5 lists and defines the control variables used in the analysis on the first two questions. Many of these are human capital variables. The NEEDS variables are designed to capture the pressure the worker may have been under to

Table 5. Definitions of control variables used in multivariate analysis

Label	Definition <sup>1</sup>
Household and	d unemployed person characteristics
MALE	Var = 1, if male
AGE	Age
AGE2	Age squared
ED2 <sup>2</sup>	Var = 1, if incomplete secondary school
ED3	Var = 1, if completed secondary school
ED4	Var = 1, if completed vocational school
POST1 <sup>3</sup>	Var = 1, if last job was as skilled worker
POST2	Var = 1, if last job was as service person
POST3	Var = 1, if last job was as professional, e.g. engineer
POST4	Var = 1, if last job was as manager
POST5	Var = 1, if last job was as "other" type of position
NEED1	No. of children present
NEED2	No. of unemployed adults/No. of adults in households
NEED3	No. of employed adults /No. of other household members
NEED4	Var = 1, if household made a large purchase in past six months
TIMEOUT14	Var = 1, if person out of work for less than three months before applying to the programme
TIMEOUT2	Var = 1, if person out of work for three-six months before applying to the programme
TIMEOUT3	Var = 1, if person out of work for six-12 months before applying to the programme
SUPPORT1	Var = 1, if pensioner present and children under age 12 present
SUPPORT2	Var = 1, if an employed adult other than the participant is present
Services receiv	ved
PART	Var = 1, if person participated in the programme
ESREF	Var = 1, if respondent (participant or control) has a job as a result of a referral from the EC
PRVSERV15	Var = 1, if household receives employment services
PRVSERV2	Var = 1, if household receives discounted home care services
PRVSERV3	Var = 1, if household receives food aid
PRFSERV4	Var = 1, if household receives services of a psychologist, lawyer
PRVSERV5	Var = 1, if household receives child-care placement services
PRVSERV6	Var = 1, if household receives free school meals
PRVSERV7	Var = 1, if children attend summer camp
Job characteri	stics of employed participants and controls
JOBTIME16	Var = 1, if employed for under three months
JOBTIME2	Var = 1, if employed for three-six months
CPOST17	Var = 1, if current job was as skilled worker
CPOST2	Var = 1, if current job was as service person
CPOST3	Var = 1, if current job was as specialist, e.g. engineer
	Var = 1, if current job was as manager
CPOST4	
CPOST4 CPOST5	Var = 1, if current job was as "other" type of position
CPOST4 CPOST5 JOBCOR	Var = 1, if current job was as "other" type of position Var = 1, if job corresponds to main occupation/profession

<sup>1</sup> All variables relate to the participant unless otherwise indicated. <sup>2</sup> Omitted category is higher education; no one reported having only primary education. <sup>3</sup> Omitted category is low-skilled worker. <sup>4</sup> Omitted category is out of work for over 12 months. <sup>5</sup> These are services received before applying to the programme or EC. Omitted category is receipt of housing allowances. <sup>6</sup> Omitted category is employed in job for over six months. <sup>7</sup> Omitted category is low-skilled worker.

find a job due to the size and composition of her/his household. There is a notable measurement problem with the first three of these variables in that they reflect the situation at the time of the survey, i.e. they did not explicitly inquire about the family situation during the period of job search. The TIMEOUT variables measure the time during which the worker had been out of work. The assumption here is that the longer a worker has been unemployed, the greater financial pressure to take a job, others things being equal.

The final panel contains additional independent variables included in the models for wage determination in regard to employed workers. These include their current position (CPOSTn), the number of months in the job, and whether the job corresponds to what the worker considers appropriate to his/her skills and training.

#### Programme variables for models 1 and 2

The second panel of table 5 ("services received") lists the variables used to capture programme impacts in alternative model specifications. The first (PART) is simply whether the person was a programme participant or not. As noted earlier, the benefit-to-wages programme tries to arrange for participants to receive the social services they need. The series of dummy variables are defined for various types of social services and assistance received as a result of participation in the programme. The second variable indicates whether the job was obtained as a result of a referral from the EC.<sup>10</sup> Controls as well as participants could receive such referrals. The variable is used in the same model as PART so that independent effect of EC referrals can be identified.

### Specification of models 1, 2 and 3

The first two models estimated consist of the control and programme variables. We experimented with a variety of specifications using these variables. Model 1 is estimated using the logit procedure, while model 2 employs ordinary least squares.

Model 3 differs from the others in that there is no control group. In this case, the objective of the multivariate analysis is not to identify programme impact but rather to explain why some programme participants remained employed longer than others. The explanatory variables are of three types, namely: human capital, as defined by education, age and sex of the worker; the family's current economic situation; and the three job attributes presented in table 6. These last three variables all define

 $<sup>^{10}</sup>$  A surprisingly modest share of 2002 participants – 48 per cent – reported the EC giving them a concrete job-opening referral.

Table 6. Job attribute variables specified in model 3

Variable	Definition
BtWJOB	Var = 1, if job found while in the programme
BtW-UP	Var = 1, if job found while in the programme <i>and</i> worker has obtained a raise since
JOBCOR	Var = 1, if job corresponds to main occupation/ profession

job aspects that should increase the willingness of the worker to remain in the job.<sup>11</sup> The model is estimated using the logit procedure.

# **Evaluation results**

#### Job acquisition effects

The final estimations of the models are given in table 7 for both control groups. The dependent variable has the value of 1 when the worker had acquired a job and was still employed at the time of the interview. The models are highly significant but explain only a small share of the variation in the probability of being employed.

The key result concerns the regression adjusted programme impact: the programme does increase participants' likelihood of being employed when compared with the EC control group and has no effect when compared with the smaller REJ group. The result for the EC group is highly significant. The mean odds of being employed are 1.44 and 1.82 for the EC and REJ control groups, respectively. Evaluating the odds with and without PART for the EC group shows that participation in the programme increases the odds by about 1.5 compared with EC registration, i.e. it nearly doubles the odds.

This positive programme impact contrasts with the findings of the only other analysis of ALPs in Russia. Akhmedov, Denisova and Kartseva (2003) studied the effectiveness of four ALPs for jobseekers registered with ECs in two regions. Since not all of those registered with ECs participate in an ALP, this study was able to identify programme impacts on the duration of unemployment. It found that, in one region, participation in the ALPs prolonged unemployment significantly. In the other region, however, some programmes accelerated job acquisition.

The lack of significance of PART in the model estimated with participants and the REJ control group could result from the fact that there

<sup>&</sup>lt;sup>11</sup> When the survey of 2002 participants was conducted, the identification of those surveyed was deleted from the records, so it was not possible to link the 2002 and 2003 survey results for these workers. In particular, the initial wage of a job found while participating in the programme or other baseline information cannot be included in the model.

#### Table 7. Logit results for job acquisition

	Job acquired and retained			
	Control group–EC		Control group–REJ	
	В	Exp(B)	В	Exp(B)
Constant	1.08*	2.94*	2.65*	14.1*
AGE	034*	.967*	066*	.936*
ED2	-1.02**	.360**		
ED3			828**	.436**
POST4	-1.44**	.238**		
TIMEOUT1	.776*	2.17*	1.48*	4.42*
PART	.809*	2.24*	.338	1.40
-2 Log likelihood	414.7		168.8	
Cox & Snell R Square	.055		.120	
Nagelkerke R Square	.075		.164	
Sign.	.000		.000	

Notes: B is the coefficient of the independent variables. Exp(B) is the exponent of the coefficient, which is the odds ratio. \* Significant at the .05 level or higher; \*\* significant at the .10 level or higher.

really was no difference in the qualities of the two groups of applicants as to their ability to find a job, i.e. the senior programme official was making misguided choices. Yet, the small sample size would make it risky to assert this explanation conclusively. This result also calls for caution in suggesting that the positive impact found in the model estimated with the EC and participant groups results from "good selection" by the programme administration rather than the programme itself.

Several other variables have a significant impact on the probability of being employed in both models, despite the similarities in the treatment and control populations: older age and low educational attainment both reduce the odds of being employed, but a shorter spell of unemployment raises them. Quantitatively, the effects are large for education (ED2) and time out of work (TIMEOUT1). In the EC model, low education decreases the odds of having a job by 1.1, while being out of work for only a short time raises the odds by about 1.4. However, a five-year increase in a worker's age from the average age of those in the sample lowers the odds of having a job by about 0.25. Also, in the comparison of the EC and participant groups only, being a manager (POST4) significantly lowered the odds of finding a job (by about 1.3).

#### Impact on wages

As shown in table 8, programme participants accepted jobs with significantly lower wages than members of the EC control group; there

#### Table 8. OLS results for wage rates

	Control group		
	EC	REJ	
Constant	3088*	2352*	
JOBCOR	698*	999*	
CPOST4	1094*	1537*	
CPOST5	-1028**	-1626	
PART	-629*	-30	
Adj. R2	0.084	0.120	
F	4.46	3.65	
Sign.	.002	.009	

\* Significant at the .05 level or higher; \*\* significant at the .10 level or higher.

was no difference between the wages of participants and those in the REJ group. The mean wage of participants was 21 per cent lower than that of the EC controls (as a regression adjusted programme impact). In both models, workers who considered themselves to be in jobs that corresponded to their training (JOBCOR) had significantly higher wages. Significantly higher wages also accrued to those in managerial positions (CPOST4), while there was a weak negative effect of having a job in the "other type of job" (CPOST5) category.

The results reviewed for job acquisition and wages give quite different patterns for the two control groups. Those of the comparison between participants and EC controls appear to tell a very interesting story. Programme participants are finding and accepting jobs more quickly than the controls, but in doing so they are accepting jobs with significantly lower wages than those taken by controls.

By contrast, no statistically significant difference was found between participants and REJ controls, either for the odds of finding a job or for wage levels. The probable explanation is that the REJ sample was very small, with only 21 observations – hence the absence of significant results. As noted, however, this result is also consistent with the overflow controls being no less "work-ready" than participants and more motivated than workers who merely signed up at an EC. In other words, the result would support the contention of some observers in the city of Perm that at least some applicants were rejected arbitrarily.

#### Job retention by programme participants

Of the 2002 programme participants interviewed, 76 per cent were employed at the time of the interview. Of these, about one-third were still in their original job and two-thirds had moved to a different one. In short, there is no support for the idea that programme participants might take a job just to maximize payments during the programme period and then quit when programme benefits are exhausted. The majority did move to another job, possibly to earn higher wages. We were unsuccessful in estimating models that could discriminate between programme participants who had continued to be employed and those who were not working at the time of the survey.

## Concluding remarks

The lack of leadership in developing and funding ALPs on the part of Russia's national and regional governments has pressured local governments into experimenting in this area. Analysis of the programme developed by the city of Perm to assist participants in obtaining jobs indicates that the programme is effective, with participants being more likely to obtain a job than non-participants in a control group. This finding is consistent with the programme's strong incentives for quick job acquisition and the close monitoring of search efforts by administrators. Because 60 per cent of participants had been out of work for over six months when they joined the programme, getting them re-employed was clearly an important step towards their sustained employment. The findings of the study are also consistent with other analyses of the effectiveness of alternative ALPs, which indicate that job-search assistance is more effective than training programmes or funding for entrepreneurial activities (Fretwell, Benus and O'Leary, 1999).

On the one hand, it is possible that these results may be more attributable to the senior administrator's ability to select the most "work-ready" applicants than to the programme itself. Yet, this explanation cannot be accepted uncritically because no difference was found in outcomes between participants and rejected applicants who made up a second control group. On the other hand, the finding that participants are accepting lower-paying jobs than controls suggests that the programme's incentives for quickly finding a job may be too strong. Indeed, one could argue that while the programme may be successful in increasing participants' incomes, such low wages make it inefficient as an ALP tool.

It is clear, however, that participants are remaining employed at a high rate after exiting the programme, although there was no control group for comparison. Getting the unemployed back to work, with some extra cash in the household as a result of programme payments, thus seems to be successful in keeping programme participants in employment.

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