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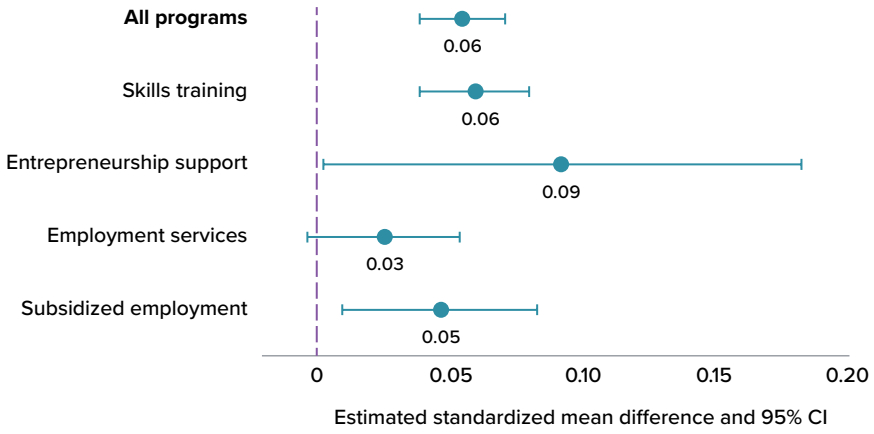
ACTIVE LABOR MARKET PROGRAMS IMPROVE EMPLOYMENT AND EARNINGS OF YOUNG PEOPLE[1]

A systematic review by the World Bank and the International Labour Organization (ILO) combines results from evaluations of 220 youth-focused active labor market programs (ALMPs) conducted around the world since 1990. The evidence shows that investments in labor market programs for young people pay off: ALMPs significantly improve their employment and earnings prospects, particularly in Low- and Middle-income countries. Youth at greatest risk of labor market exclusion often benefit the most. To guide future program design, the report identifies features of ALMPs that are associated with positive impacts on youth.

Key findings

- **ALMPs have significant positive impacts on youth employment and earnings.** These programs deliver skills training, employment services, subsidized employment, or entrepreneurship support.
- **More recent programs report bigger impacts on average.** Also, the quality and number of impact evaluations increased over the past years.
- **Globally, youth entrepreneurship and training programs show the largest impacts.** These programs deliver the skills, work experience, or financial support needed to enter wage- or self-employment.
- **The intervention types that work best vary by country income group.** In Low- and Middle-income countries, entrepreneurship support and employment services yield larger impacts. In High-income countries, skills training, and wage subsidies have larger impacts on average.
- **ALMP impacts in Low- and Middle-income countries appear larger for younger and vulnerable groups** such as women, low-skilled, or marginalized youth.
- **Key design features of effective programs include soft skills training and certification.** Successful programs often combine interventions to address multiple barriers of youth, especially in Low- and Middle-income countries.
- **Local and regional programs often report better results than national programs.** Further, partnerships between the public and non-public actors are on average more impactful in Low- and Middle-income countries.
- **While evidence remains limited, three in four cost-effectiveness studies find that benefits outweigh costs in the longer run.** At the same time, costs vary considerably across intervention types.

Figure 1 | Average impacts on youth employment and earnings outcomes across program types



[1] Key findings of the report "The Impacts of Active Labour Market Programmes on Youth: Systematic Review and Meta Analysis 1990–2022."

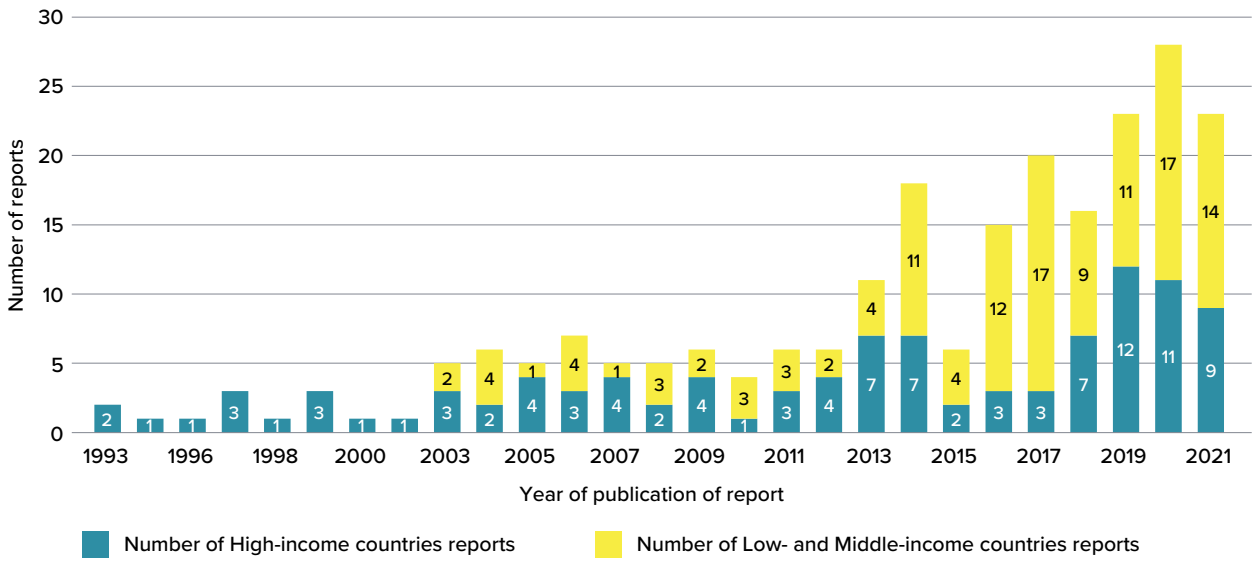
Worldwide, young people face employment challenges that require more attention from policymakers. Despite the post-pandemic recovery in global labor markets, young people aged 15–24 are on average 3.5 times more likely to be unemployed than adults. Moreover, the number of youths who are not in employment, education or training (NEET) continues to rise; this figure stood at 269 million youth in 2023 (ILO 2024). Even for young people in employment, jobs are often low-quality, prone to informality, and working poverty. Young women face additional challenges, such as gender stereotypes in hiring, leading to low participation rates and wages. The youth employment challenge is more prevalent in Low- and Middle-Income countries (L/MICs) than in High-income countries (HICs).

Active Labor Market Programs (ALMPs) are a key policy tool to improve job opportunities for young people. ALMPs aim to better integrate young people into the labor market. They encompass a range of interventions such as skills training, entrepreneurship support, wage or hiring subsidies, participation in public works, and job-search assistance. ALMPs focus on youth NEET, disadvantaged youth groups, and recent graduates, all with the objective of expediting their transition to employment and enhancing their earnings potential. The effectiveness of ALMPs remains a subject of debate amongst policymakers and researchers. However, recent studies conclude that certain types of ALMPs may be more effective than previously thought. This joint World Bank-ILO report contributes compelling evidence to the ongoing discussion based on a systematic review of impact evaluations of youth-targeted ALMPs spanning the past three decades.

Improved evidence on promising policy interventions for youth employment

The World Bank-ILO study builds upon substantially improved evidence on the impacts of youth-targeted ALMPs. Since the previous systematic review by the World Bank and ILO, the number of impact evaluations more than doubled from 113 to 228 studies (see Box). New evidence comes especially from L/MICs, which now contribute more than half of all studies. Importantly, the quality of the evaluations also improved. Recent studies adopt better methodologies, provide more detailed analyses, and offer more information on program design and

Figure 2 | Number of reports by year of publication

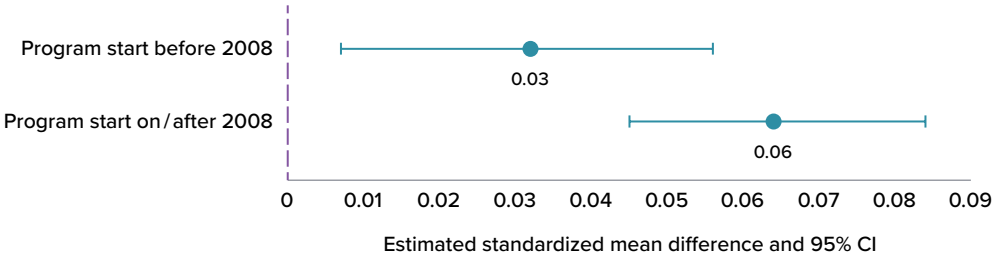


implementation. For instance, the share of randomized impact evaluations grew from 42 percent of all studies in the period before 2015, to 60 percent from 2015 to 2021. The larger study sample now available allows more detailed analysis on what works in different contexts. At the same time, considerable evidence gaps remain in some regions, including the Middle East & North Africa as well as East Asia & the Pacific.

The positive impacts of youth employment programs increased further over time

Youth-targeted ALMPs have significant positive labor market impacts and their magnitude has grown over time. On average, ALMPs improve employment and earnings of young participants by 0.06 standard deviations (SDs) over those of the study's comparison group (Figure 1).[i] Moreover, the impact has increased considerably over time. To illustrate this, the report splits the total sample in half to compare programs that started before and after 2008, the middle point in the period under review (Figure 3). The results suggest that, on average, impacts reported for newer programs are twice as large as those of earlier programs (0.03 SD vs. 0.06 SD).

Figure 3 | Average impacts of programs that started before and after 2008



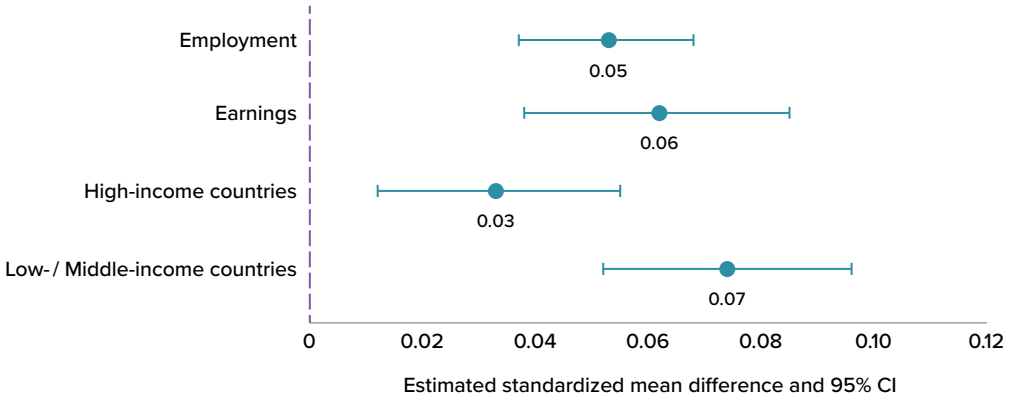
Impacts larger in Low- and Middle-income than High-income countries, especially on earnings

ALMP evaluations report greater impacts in Low- and Middle-Income than in High-Income countries, on average. The difference may be explained by the greater labor market challenges that youth face in L/MICs compared to their peers in HICs. For example, since youth in L/MICs often leave the educational system with limited work-relevant skills, even small investments that connect them to jobs or enhance their human capital may lead to larger impacts in the short run. Also, the impacts of ALMPs in L/MICs tend to decline one year after programs end, whereas they increase in HICs. This finding suggests that follow-up support measures, such as career guidance or business mentoring, may be key to sustain impacts in L/MICs. It also highlights the importance for future evaluations to assess how impacts on employment and earnings evolve over the longer term.

ALMPs in High-income countries impact employment chances of youth more than their earnings, while the opposite occurs in Low- and Middle-income countries. On the global level, the impacts of ALMPs on youth employment and earnings appear of similar magnitude (0.05 SD vs. 0.06 SD in Figure 4). Separate analysis across country income groups shows that programs in HICs have slightly larger impacts on employment, whereas programs

in L/MICs have larger impacts on earnings of youth (e.g., hourly wages or monthly incomes). This difference may be explained by the fact that youth in many L/MICs cannot afford to be unemployed and opportunities for wage employment are often lacking. In this context, ALMPs primarily improve the ability to acquire better-paid and higher-quality jobs.

Figure 4 | Average impacts across outcome measures and country-income groups

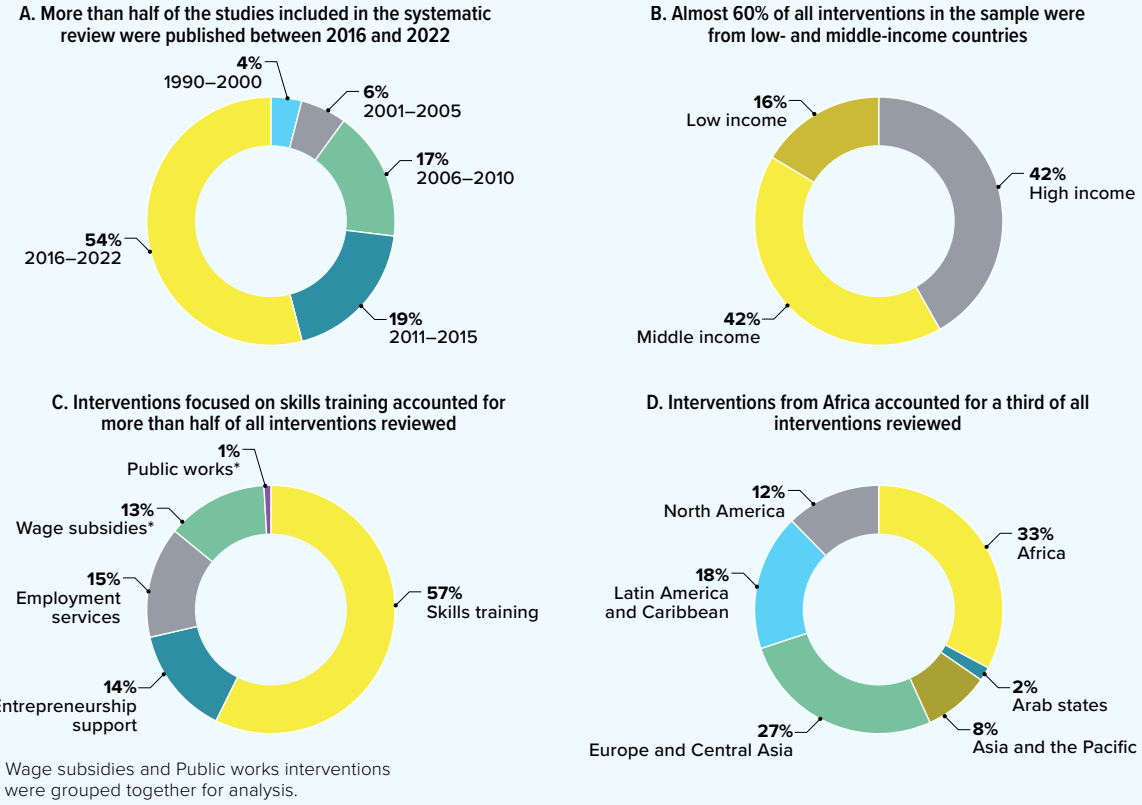


Methodology and sample description

This World Bank-ILO study conducts a rigorous selection and analysis of high-quality impact evaluations published as working papers or in academic journals between 1990 and 2022. It follows and expands on a previous systematic review by the World Bank and ILO (Kluve et al. 2019) that included studies published through 2014. It uses refined sample inclusion criteria to identify programs targeting youth aged between 15 and 35. A comprehensive systematic search for studies drew on 40 different sources using search terms in English, French, German, Portuguese, and Spanish. Interventions covered by the review comprise skills training, entrepreneurship promotion, employment services, private sector wage subsidies, and public works programs.[ii] The systematic review includes studies that reported impacts on at least one core labor market outcome on employment, earnings, or business performance.[iii] Eligible studies employ counterfactual-based impact evaluations designs, including experimental or quasi-experimental methods. To synthesize the impacts across different studies, the study applied random-effects multivariate meta-regression models that account for publication bias and overlapping samples.

The systematic search and selection process resulted in 228 impact evaluation studies assessing 220 interventions within 171 active labor market programs across 62 countries. In total, information on 5,051 treatment effect estimates were extracted from these primary studies. Additionally, detailed information regarding intervention design and implementation, beneficiary characteristics and evaluation methods was coded for the meta-analysis. The study sample more than doubles that used in Kluve et al. (2019): from 113 to 228 reports, from 107 to 220 interventions and from 3,629 to 5,051 treatment effect estimates. The geographical coverage grew from 31 to 62 countries and almost 60 percent of the new studies analyze programs in Low- and Middle-income economies, including 72 interventions in Africa (almost 33 percent of all interventions). Also, 47 percent of the reports feature impact evaluations conducted as a randomized controlled trial and 38 percent were published in peer-reviewed journals.

Figure B.1 | Characteristics of studies and interventions



* Wage subsidies and Public works interventions were grouped together for analysis.

Entrepreneurship and human-capital centered programs often yield greater impacts than other program types

Youth-targeted ALMPs that support entrepreneurship or build human capital have larger impacts than other program types globally (Figure 1). Overall, programs that support youth in acquiring the human or financial capital needed to engage in wage- or self-employment report larger impacts on average (0.09 SDs and 0.06 SDs, see Figure 1). Programs that support job searches or connect youth to employers have slightly smaller impacts (0.03 SDs and 0.05 SDs). However, simply comparing reported effect sizes across programs and countries may be misleading. For example, programs in L/MICs may more often target low-skilled participants than those in HICs. To account for this difference, the statistical analysis adjusts for a large number of study and intervention characteristics. This analysis reveals that the most effective intervention types differ across country-income groups.

In Low- and Middle-Income countries, entrepreneurship and employment services have larger impacts, whereas wage subsidies and skills training appear more effective in High-Income countries. While youth entrepreneurship programs report large impacts in L/MICs their results also vary widely. Since these programs cover a variety of interventions—from business training to access to financing—more evidence is needed to understand what works best. Evidence on the significant positive impacts of skills training in L/MICs is more substantial so

far. Recent studies also suggest that employment services can have significant impacts in L/MICs. Such programs often connect youth directly with employers or help them signal their skills to overcome information gaps in largely informal labor markets. In HICs, skills training and wage subsidy programs are on average the most impactful. This result aligns with findings from a systematic review of vocational trainings that in HICs longer programs which combine on- and off-the job training achieve larger impacts (Kemper ⓡ Stöterau ⓡ Ghisletta 2024).

ALMPs have larger impacts for younger and vulnerable groups of youth, including women. Many evaluations studies report impact estimates across different groups of participants, for example by gender or age. Their results show larger impacts for those younger than 25 years of age and vulnerable groups, such as women and low-skilled youth. The findings are particularly evident for programs conducted in L/MICs. The results suggest that ALMPs could become more effective when they intervene early in the life cycle and explicitly consider youth that are at the greatest risk of labor market exclusion.

Design features that enhance impacts differ across countries but partnerships matter globally

Some of the most effective programs involve public and non-public actors that work together at the sub-national level. Programs that governments implement together with employers or civil society groups have, on average, larger impacts than programs implemented by the public sector alone. Such collaborations take various forms, such as engaging NGOs to deliver services or involving employers in developing training curricula. Moreover, regional or local programs often have larger impacts than national programs, particularly in HICs. Possibly, these localized approaches facilitate direct engagement with local organizations and employers. Local programs may also benefit from more homogenous participant groups and therefore can be better tailored to their needs.

While ALMPs that combine multiple interventions and last longer often achieve higher impacts in L/MICs, programs in HICs seem to benefit from more focused approaches. In L/MICs, programs tend to have larger impacts if they last for at least four months and integrate multiple interventions. Such programs often offer skills training and job matching or subsidized employment. In HICs integrated programs do not have larger impacts on average than programs delivering one intervention.

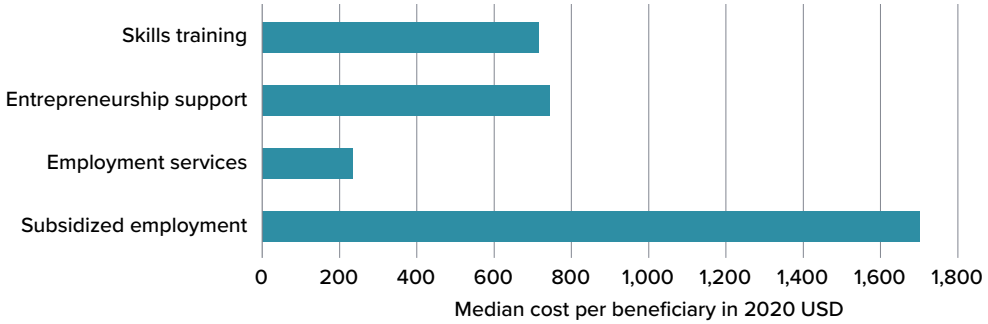
Including soft skills and providing certifications improve impacts on employment and earnings of youth. While soft skills are associated with larger impacts globally, their benefits appear particularly strong in HICs. One possible reason is an even greater need for youth to acquire these types of skills in contexts where technical and vocational skills are already better developed. In L/MICs, certification of skills or work experience acquired through ALMPs are associated with larger impacts on employment and earnings. Such design features help to address the multiple barriers that young people face on informal labor markets in many L/MICs.

ALMP benefits often exceed their costs but rigorous evidence remains limited

Available information suggests that program costs vary widely across intervention types and income groups. More recent impact evaluations report information on total program costs. According to this data, employment service programs are often comparatively cheap, with a median cost of around 230 USD per person. While skills training and entrepreneurship promotion programs report median costs of around 730 USD per person, wage subsidies and public works programs are much more expensive, with a median value of 1,700 USD per beneficiary. In addition, overall program costs vary considerably by country income groups. In HICs, the median program costs around 3,200 USD, while the median is 418 USD for Middle-Income and 490 USD for Low-Income countries.

While rigorous cost-effectiveness analysis is still limited, the available evidence suggests that the benefits of ALMPs often outweigh their costs. The review shows that nearly three out of four evaluations with a cost-effectiveness analysis find that benefits outweigh program costs in the longer run. While there is a recent increase in cost-effectiveness studies, most of them focus on skills training programs. However, recent evidence suggests that some low-cost, innovative approaches can already yield substantial impacts. Additional evaluations are needed to determine which interventions offer the best value for money.

Figure 5 | Median program costs per beneficiary across program types



Investing in ALMPs for youth pays off but some evidence gaps remain

The evidence shows that ALMPs can improve young people's employment and earnings. The findings of this systematic review strengthen the case for greater investment in youth employment programs. Especially in L/MICs, which often lack private-sector jobs and have largely informal labor markets, programs that connect youth to employers or support entrepreneurship can significantly improve young people's earnings. In contrast, programs in HICs often have larger impacts if they enhance human capital of youth through vocational training or facilitate hiring through subsidized employment in the private or public sectors. However, understanding key barriers and challenges for youth remains key to design cost-effective interventions. Despite the improved evidence base, substantial knowledge gaps remain for some regions and types of interventions.

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Endnotes

[i] To summarize impacts that are reported in different outcome measures (e.g., employment or wages), the report computes the Standardized Mean Difference (SMD). The SMD represents the impact in terms of standard deviations increase over the mean of the respective comparison group. For comparison, Kraft (2020) conduct an analysis of 750 impact evaluations of educational interventions globally. The author suggests that a realistic benchmark in social sciences is to consider impacts below 0.05 SD as small, up to 0.2 SD as medium, and beyond 0.2 SD as large.

[ii] The analysis combines public works with wage subsidies in a single category called subsidized employment.

[iii] The full report provides a detailed analysis of business revenues and profits as intermediate outcomes of (primarily) entrepreneurship programs

Photo credits

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