

Evaluating Training Programs for Economically Disadvantaged. The case of the Czech Republic

Non-technical summary

This paper analyses how further training helps economically disadvantaged groups of the population to improve their labour market situation. At present the life-long learning becomes one of the most important factors of employability of a person on the labour market. Realization of the training programs requires significant financial resources and, in relation to this, there is a question about the performance of these programs.

The paper uses microeconomic data from a survey of the training activities, conducted in the Czech Republic in 2003. This data allows us to control for a number of individuals' characteristics, most of which are shown to have significant effect on individual participation in the training. Since these characteristics are also correlated with the outcome variable, the probability of finding employment, we encounter the problem of selection bias.

Matching and difference-in-difference estimators are used to avoid the selection bias. In the first stage the characteristics of the two groups, participants and non-participants, are analyzed and probability of participation in the program is estimated. Then, a control group is constructed, which by its characteristics is very similar to the treatment group. In addition I control for selection on unobservable characteristics using difference-in-difference estimator.

It was found that training has positive and lasting effect for its participants. Both in the short run and in the long run the effect is positive and significant. After controlling for observable and unobservable characteristics the effect of training is still significant.

- training increase probability to find work in a period of one year from 35% to 57%
- training increases probability to find employment within three month after completion of it from 14% to 22%
- training increase probability for employed to remain employed during the following year from 93% to 97%

The results received in this paper show that training programs are effective for unemployed. Therefore, it is plausible to use them as a mean of increasing employment, human resource development and inclusion into the labour market of the socially excluded groups.