

Exploiting Impact Heterogeneity: A Statistical Model of Programme Selection*

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Abstract

In Denmark and many other countries, Active Labour Market Policies (ALMPs) are heavily used instruments to combat unemployment. Some types of ALMP are supposed to enhance general skills for the unemployed, while other programmes are of a more specific nature. And some programmes may even have the main purpose of being unpleasant and hence motivating the unemployed to search harder for a job because of the lowered value of staying unemployed. This variety of programmes raises the question of how to allocate unemployed individuals into ALMP in an optimal way? In this paper we estimate a statistical model capable of providing caseworkers with information about impacts of different programmes conditional on observing certain characteristics of the unemployed. A multivariate duration model with unobserved heterogeneity is used to estimate heterogeneous treatment effects, and the allocation of programmes can then be based on these estimated effects. Different allocation mechanisms are compared, and the results suggests possible gains from a more precisely targeted allocation, although some work remains in order to get a sufficient amount of precision for the predicted outcomes.

Keywords: Profiling, Targeting, Statistical Treatment Rules, Heterogeneous Effects.

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