

Peer Effects in Active Labour Market Policies

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Abstract

This paper studies peer effects in the context of public sponsored vocational training for job-seekers in Germany. Using rich administrative data, I investigate how individual labour market outcomes of program participants are affected by the peer “quality” in the program focusing on the employability of the peers. To identify a causal effect, I exploit quasi-random variation in the peer group composition within courses offered by the same training providers over time. Results show that an increase in the average peer group employability has positive and considerable effects on individual employment and earnings. For participants in short and long vocational training programs, the effects materialize after the average planned program duration, and persist in the medium and long run. I do not find persistent effects for individuals in retraining. Furthermore, the results suggest that peer employability has non-linear effects which differ across program types.

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