Discretionary increases in public spending on active labor market policies have statistically significant short- and medium-term effects on output and employment. These effects are larger under weak economic conditions.

Figure 3.13. Macroeconomic Effects of Spending Shocks on Active Labor Market Policies
(Percent; years on x-axis)

Source: IMF staff estimates.
Note: t = 0 is the year of the shock. Solid blue lines denote the response to a 10 percent increase in spending on active labor market policies; dashed lines denote 90 percent confidence bands; and solid red lines represent the unconditional result.