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<p>Tiivistelmä-Referat-Abstract</p> <p>This master's thesis provides a thorough introduction to the concept of active labour market policy (ALMP), both in terms of theories justifying its use as a public policy tool and in terms of a review of existing scientific literature on both the effectiveness and effects of ALMP.</p> <p>The thesis begins with an introduction to the logic behind the public provision of various labour market programmes such as educational courses and job subsidies. All different types of programmes aim mainly at improving the participants' chances of obtaining regular employment. The effectiveness of the variety of different programmes has been extensively studied at microeconomic level, as researchers have attempted to establish whether the considerable investment undertaken by Western economies has been successful in creating truly new employment. The most important results from microeconomic studies are introduced, after the channels through which the positive effects of ALMPs are in theory expected to work have first been reviewed.</p> <p>The thesis then proceeds to provide a survey of macroeconomic studies of ALMPs, of which there are only very few so far. The thesis then proceeds to a short review of existing literature on wage-setting that provide the empirical part of the thesis with a good motivation regarding the choice of variables for the estimated equation as well as the method of study.</p> <p>The final part of the thesis, the estimation of a real wage equation for Finland, is the first of its kind for it attempts to take into account the effect the provision of ALMP programmes by the government (may) have to the wage-setting in the labour market. The hypothesis here, provided by the theoretical study of Calmfors and Lang (1995), is that the provision of ALMPs makes becoming unemployed a less bad option at wage-negotiation and therefore leads to increased wage claims, which in turn lead to increased unemployment at the macroeconomic level. Although the study fails to find proof for this effect working in Finland a motivation for further study is maintained due to the short time series and the simplicity of the methods employed.</p>		
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