HSR (LONDON),
HOUGHTON STREET REVIEW JOURNAL
ISSN: 2058-5519|Impact factor-15.9
http://houghtonstreetreview.com/index.php/hsr

CREATING SUSTAINABLE EMPLOYMENT PATHWAYS FOR UNEMPLOYED POPULATIONS: A REVIEW OF EVIDENCE-BASED APPROACHES

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Doi: https://doi.org/10.5281/zenodo.22171282

Abstract: Global unemployment has stabilized at roughly 4.9 percent, yet this headline figure conceals a much larger crisis: a jobs gap of some 408 million people who want work but cannot find it, rising informality affecting 2.1 billion workers, and youth unemployment above 12 percent. The challenge is not simply to create jobs, but to create jobs that last, positions that are durable, decent, and resilient to economic and environmental change. The review draws on labor economics, international development, and social-enterprise research to examine which interventions are most likely to help unemployed people move into stable work. Drawing on meta-analyses of active labor market policies, evaluations of green-transition employment programs, and studies of cooperatives and job-creation schemes, the review finds that no single instrument works in isolation. Job-search assistance delivers fast but modest results; training programs pay off only in the medium term; wage subsidies and self-employment support show the largest earnings gains but carry displacement risks; and social-economy models produce durable, well-matched jobs but only at limited scale. The evidence suggests that sustainable job creation requires sequenced, context-sensitive combinations of these tools, embedded in social protection systems and aligned with structural shifts toward green and digital economies.

1. Introduction

1.1 Background

Unemployment is rarely just an economic statistic, it is a driver of poverty, social exclusion, and diminished wellbeing. Yet the global labor market data for 2026 show a paradox: aggregate unemployment has held essentially flat, even as the underlying quality and availability of work continues to deteriorate. Global unemployment is projected to remain unchanged at 4.9 percent in 2026, a figure often read as a sign of resilience following the post-pandemic recovery, but the report cautions that this stability should not be mistaken for healthy labor market conditions. Behind this headline figure, the broader jobs gap, people who want paid work but cannot access it, is expected to reach 408 million people in 2026.

The composition of this unmet demand is troubling. Between 2015 and 2025, extreme working poverty declined by only 3.1 percentage points, to roughly 284 million workers, a far slower pace than the 15-point drop achieved in the previous decade. Informal employment is simultaneously expanding, with an estimated 2.1 billion workers projected to hold informal jobs in 2026, concentrated in Africa and Southern Asia. Young people are especially exposed: global youth unemployment stands at 12.4 percent, and roughly one in five young people, about 260 million, are not in employment, education, or training.

These figures reframe the policy question. The goal cannot be merely to raise the employment rate; it must be to generate work that is durable, adequately compensated, and resistant to the structural forces, automation, climate transition, and economic volatility, reshaping labor markets. Emerging technological disruption adds urgency: artificial intelligence could disrupt around 40 percent of

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existing jobs while creating an estimated 97 million new ones by 2030, a transition that will not be neutral across skill levels, regions, or genders.

1.2 Problem Statement

Governments, multilateral institutions, and civil-society organizations have experimented for decades with instruments intended to move unemployed people into work: job-search assistance, vocational training, wage subsidies, public employment schemes, self-employment grants, and, more recently, green-sector and social-enterprise job creation. These interventions differ enormously in their short- and long-term effectiveness, their cost, and the durability of the jobs they generate. Policymakers therefore need a clear, evidence-grounded picture of what "sustainable" job creation actually requires, rather than treating employment programs as interchangeable.

1.3 Objectives

This review brings together evidence on different ways of helping unemployed people and focuses on three main questions:

1. Which categories of intervention produce employment effects that persist over time rather than merely displacing or temporarily masking unemployment?

2. What features of program design and context determine whether jobs created are "sustainable", durable, decent, and resilient to structural economic change?

3. What combination of instruments, sequencing, and institutional support is most consistent with the available evidence?

2. Methods

2.1 Review Approach

This study is a rapid narrative review rather than a primary empirical investigation. It brings together findings from meta-analyses, systematic reviews, and major institutional reports and organizes them around the IMRAD structure.

2.2 Sources and Search Strategy

Evidence was drawn from three tiers of sources:

- **Meta-analyses and systematic reviews** of active labor market policies (ALMPs) published in peer-reviewed economics journals (e.g., *The Economic Journal*, *Journal of Economic Surveys*, *Economía LACEA Journal*), covering studies conducted between 1990 and 2025.

- **Flagship reports** from the International Labour Organization (ILO), including the *Employment and Social Trends 2026* report and green-employment diagnostic guidelines, used for current labor-market statistics and sector-level projections.

- Program evaluations and case studies of social enterprises, cooperatives, and job-creation schemes, including Eurofound and European Commission-funded studies of long-term unemployment programs.

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2.3 Inclusion Criteria

Sources were included if they (a) quantified employment, earnings, or job-retention outcomes for unemployed populations; (b) covered interventions replicable at policy scale rather than isolated anecdotes; and (c) were published within the last fifteen years, with priority given to the most recent meta-analyses to capture updated pooled estimates.

2.4 Analytical Framework

Interventions were classified along two dimensions:

1. Mechanism, whether the intervention operates on labor *supply* (skills, job-search support, self-employment capacity) or labor *demand* (wage subsidies, direct public employment, sectoral job creation).

2. Sustainability criteria, durability of the employment effect beyond the program period, job quality (formality, wages, security), and alignment with structural economic shifts such as the green and digital transitions.

2.5 Limitations of the Method

As a narrative review, this synthesis cannot resolve conflicting findings through new statistical pooling, and it draws disproportionately on evidence from high- and middle-income countries, where most rigorous ALMP evaluations have been conducted. Cost-effectiveness data across interventions remain thin and unevenly reported, limiting direct comparisons of value for money.

3. Results

3.1 Active Labor Market Policies: What the Meta-Analyses Show

The largest evidence base concerns active labor market policies (ALMPs), the standard toolkit of job-search assistance, training, and subsidized employment used across OECD and middle-income countries.

An early influential meta-analysis found that job search assistance programs yield relatively favorable impacts, while public sector employment programs are comparatively less effective, and that training programs are associated with positive medium-term impacts despite often appearing ineffective in the short run. A later, larger meta-analysis covering causal estimates from 1990-2017 refined this picture with attention to timing: subsidized labor and public employment programs tend to show negative short-term impacts that only turn positive in the longer run, whereas schemes that combine job-search assistance with training avoid these early negative effects and remain positive from six months through three years after the program begins.

A more recent randomized-trial-focused meta-analysis reached a complementary conclusion on relative magnitude: wage subsidies and support for independent workers produced the largest median earnings gains, about 16.7 percent and 16.5 percent respectively, compared with a 7.7 percent median gain for vocational training programs, while employment services alone showed almost negligible impact on earnings, though they remained the least expensive option per participant.

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Program targeting also matters. Programs targeted at youth are less likely to produce positive impacts than untargeted programs, though there are no large systematic differences in outcomes by gender, and evaluations that measure impact using registered unemployment duration are more likely to show favorable short-term results than those using other outcome measures.

3.2 Direct Job Creation Schemes and the "Lock-In" Problem

Public job-creation schemes (JCS), direct government employment for the unemployed, show a persistent design tension. A comprehensive body of program-evaluation literature has established that job creation schemes generally have either insignificant or negative employment effects for participants after the program ends, largely because of "lock-in" effects: participants reduce their job-search effort while enrolled, which can delay rather than accelerate a genuine return to the labor market. However, this negative average effect masks important heterogeneity: lock-in effects appear less costly for long-term unemployed and hard-to-place individuals, who are less likely to find work in the absence of the program, and these groups are also more exposed to the psychosocial costs of prolonged unemployment. Where these programs have been redesigned around genuine social integration, formal contracts, longer duration, and case workers matching jobs to participant needs, participants have reported that their assigned jobs fit their prior experience and allowed them to develop new skills, with case workers seen as consistently supportive.

3.3 Self-Employment and Entrepreneurship Support

Beyond wage employment, support for self-employment and micro-entrepreneurship has emerged as a distinct pathway with its own evidence base. Survey-based evaluations of entrepreneurship-support policies for the unemployed indicate that measures such as free business courses and hiring discounts are associated with better post-transition earnings among beneficiaries, informing policy design intended to foster sustainable self-employment and job creation rather than one-off business starts. This aligns with the finding above that self-employment support delivers earnings gains comparable to wage subsidies, suggesting that supply-side capacity building for entrepreneurship, not just demand-side hiring incentives, can generate durable income streams for the previously unemployed.

3.4 The Social Economy: Cooperatives and Social Enterprises

A distinct and comparatively under-scaled channel for sustainable employment is the social economy, cooperatives and social enterprises created explicitly to employ people excluded from mainstream labor markets. Cross-country case evidence shows that cooperatives and social enterprises can and do deliver positive employment outcomes and good-quality jobs, largely by adopting human-resource practices similar to those championed by leading mainstream businesses. A related European review of long-term-unemployment programs found that social economy job-creation programs tend to be more effective when implemented in partnership with NGOs, since the most successful programs are small-scale and person-centered, an approach better suited to the flexible, informal way NGOs typically operate. Illustrative models include work-integration social enterprises that combine vocational training with production activity, such as a cooperative in Athens that both employs people who have experienced homelessness or long-term unemployment and channels their labor into environmentally oriented upcycling, and multi-stakeholder job-search networks such as Portugal's EMPREGA-TE initiative.

3.5 Green and Digital Transition Employment

HSR (LONDON),
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The shift toward low-carbon and digital economies represents both a risk and an opportunity for unemployed populations, depending on how well skills systems adapt. The ILO has estimated that a well-managed shift to a greener economy could create 24 million new jobs globally by 2030, chiefly through sustainable energy practices, electric vehicles, and improved building energy efficiency, while an estimated 6 million jobs would be lost in fossil-fuel-dependent sectors such as coal mining and petroleum refining, making complementary worker-protection policies essential to a just transition. The scale of dependency on environmental stability is itself striking: globally, some 1.2 billion jobs depend on a stable and healthy environment, spanning agriculture, fisheries, forestry, tourism, and pharmaceuticals.

However, the distribution of green and digital job gains is uneven. Employment gains from green and digital transitions are projected across all skill levels, with the largest gains concentrated in medium-skilled occupations and sizable opportunities for youth, but the gender distribution of these new jobs is alarmingly unequal, with women capturing a smaller share of the additional employment created. Institutional guidance increasingly stresses that green-jobs strategies must be diagnosed sector by sector rather than applied uniformly, aligning national industrial and trade strategy with local labor-market conditions.

3.6 Structural Headwinds

Any assessment of sustainable job creation must account for structural conditions that blunt the impact of individual programs. Women represent only two-fifths of global employment and remain 24.2 percent less likely than men to participate in the labor force, a gap that limits the reach of even well-designed job-creation programs. Low-income countries face particular difficulty transitioning workers into higher-value industries, which constrains both productivity growth and job security even where aggregate employment appears stable.

Summary of Evidence by Intervention Type

Intervention	Typical short-term effect	Typical medium/long-term effect	Best suited for
Job-search assistance	Favorable, low cost	Modest, fades without follow-up	Job-ready unemployed; early-stage intervention
Vocational/classroom training	Often weak or negative (lock-in)	Positive, ~7–8% earnings gain	Skills-mismatched unemployed; medium-term horizon
Wage subsidies	Negative to neutral (deadweight/displacement risk)	Strong, ~16–17% earnings gain once effects mature	Employer-side barriers to hiring
Self-employment/entrepreneurship support	Mixed, dependent on business survival	Strong, comparable to wage subsidies	Areas with limited formal-sector demand
Public job-creation schemes	Negative average effect (lock-in)	Insignificant on average; positive wellbeing effects	Long-term unemployed, social integration goals

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		for hard-to-place groups	
Social enterprises/cooperatives	Slow to scale	Durable, well-matched jobs	Marginalized groups; local, person-centered delivery
Green/digital sector job creation	Requires upfront investment and reskilling	Large potential (tens of millions of jobs globally)	Structural, economy-wide transition

4. Discussion

4.1 No Single Instrument Is Sufficient

The evidence converges on a central conclusion: sustainable job creation is not a matter of selecting the single "best" program but of sequencing complementary instruments to match the unemployed population's distance from the labor market. Job-ready jobseekers benefit most from low-cost job-search assistance; those with skills mismatches benefit from training, but only once program design avoids extended lock-in periods; and those facing employer-side barriers, cost, risk, discrimination, respond best to wage subsidies or self-employment capital, despite the higher fiscal cost of these instruments. Public job-creation schemes, which are politically attractive because they visibly "create jobs," in fact show the weakest average employment effects and should be reserved for populations where social integration and wellbeing, not labor-market re-entry per se, are the primary objective.

4.2 Defining "Sustainable" Beyond Job Count

A recurring pattern across the reviewed evidence is that program effects which look weak or even negative in the short run frequently strengthen over a two-to-three-year horizon, and vice versa. This has a direct implication for how "success" should be measured: evaluations anchored only to six- or twelve-month outcomes will systematically undervalue training and subsidy programs while overvaluing job-search assistance and short-lived public employment schemes. Sustainability, in other words, is partly a measurement problem, durable job creation requires evaluation windows long enough to observe post-program trajectories, not just program-period placement rates.

Sustainability in this domain also has an environmental and structural dimension that a narrow labor-economics lens misses. Because roughly 1.2 billion jobs worldwide depend on ecological stability, employment strategies that ignore climate and resource pressures are not durable by definition, however favorable their short-term earnings effects. Conversely, green-sector job creation carries real transition costs, retraining needs, regional disruption in fossil-fuel-dependent communities, that must be financed alongside the jobs themselves rather than treated as a residual concern.

4.3 The Underused Role of the Social Economy

Cooperatives and social enterprises consistently produce durable, well-matched employment for populations that mainstream ALMPs struggle to reach, the long-term unemployed, people with disabilities, and other marginalized groups, yet they remain a comparatively small share of most national employment strategies. The evidence suggesting that NGO-partnered, small-scale, person-

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centered programs outperform larger standardized schemes argues for treating the social economy as a complement to, rather than a substitute for, conventional ALMPs: useful precisely where individualized case management can substitute for the economies of scale that make mainstream training and subsidy programs cost-effective.

4.4 Policy Implications

Taken together, the evidence points toward several practical design principles:

- **Sequence, don't substitute.** Begin with job-search assistance for job-ready individuals; reserve training and subsidies for those with identified skills or demand-side barriers; use public job creation and social-enterprise placements primarily for long-term unemployed and hard-to-place populations.

- **Fund the transition costs of green and digital shifts explicitly**, including regional retraining and income support for workers in declining sectors, rather than assuming aggregate job gains will offset localized losses.

- **Close the gender gap in new-economy job creation** by pairing sectoral job-creation strategies with targeted outreach and childcare or care-economy support, since evidence shows women capturing a disproportionately small share of green and digital job growth.

- Evaluate on multi-year horizons to avoid discarding interventions, particularly training and wage subsidies, whose benefits only materialize after an initial lock-in period.

- **Scale social-economy and cooperative models deliberately**, using public procurement and NGO partnerships to grow work-integration social enterprises without stripping out the person-centered features that make them effective.

4.5 Limitations and Future Research

The evidence base underpinning these conclusions remains geographically skewed toward high- and upper-middle-income countries, where the majority of rigorous ALMP evaluations have been conducted; rigorous impact evidence from low-income and informal-economy-dominated labor markets, precisely where the jobs gap is largest, is comparatively scarce. Cost-effectiveness comparisons across intervention types are also underdeveloped, making it difficult to translate the earnings-impact findings summarized here into budget-constrained policy choices. Future research should prioritize long-horizon randomized evaluations in low-income settings, standardized cost-per-sustained-job metrics, and closer integration of climate-transition planning with labor-market policy design.

4.6 Conclusion

Sustainable job creation for unemployed populations is achievable, but only through combinations of instruments matched to individual circumstances and structural economic conditions, not through any single flagship program. The strongest available evidence favors pairing job-search assistance with well-timed training and wage or self-employment subsidies, reserving direct public job creation for populations where social integration is the primary goal, and treating the social economy and the green transition as durable, if currently under-scaled, sources of decent work. As global labor markets absorb the simultaneous pressures of automation, climate transition, and persistent informality, the countries and institutions that succeed will be those that treat "sustainable" as a design requirement from the outset, not an outcome to be hoped for after the fact.

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