Does Job Search Assistance Help Job Seekers Find and Keep Jobs?

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ASSA
San Antonio 2024

Motivation

Job search assistance (JSA)

- provides support in finding jobs
- is a cornerstone of active labor market program mix
- intervenes in all phases of the job-less spell
- appears to be successful in placing job seekers into jobs

Does JSA help job seekers find good jobs?

- Yes.
  - JSA improves job matches.
  - JSA helps correct "biased" job search strategies.
- No.
  - Job seekers "forced" into accepting jobs they would never have considered.
  - JSA reduces search via own search channels.

What we do

- We study "Les Maisons Hestia", or Hestia, a firm that offers job search assistance.
- Hestia devised a strategy to help long-term unemployed find and keep jobs
- In a 2006 pilot, job seekers were randomly assigned to receive Hestia's services, or remain in the standard track.
- Hestia received a monthly payment for every job seeker. Initially high, the payment decreases after 6, and 18 months.
- We use data from this pilot to assess Hestia's effects on employment, and earnings, for five years after assignment to Hestia.

Preview of Results

- Hestia strongly increases the rate at which job seekers find jobs, without affecting "wages".
- Job seekers placed by Hestia are more likely to loose their jobs, especially those placed late.
- Pattern of effects is consistent with timing of incentives.
- Cumulative earnings are lower, and costs to unemployment insurance are higher, for job seekers allocated to Hestia.

Literature

- Active labor-market policies
  - Several evaluations, e.g. van der Klaauw and van den Berg (2006), or Arni (2015)
  - Card, Kluve, Weber (2010, 2015) provide a meta analysis finding positive short-run effects, smaller medium run effects

- JSA effects on job finding, sorted by JSA effectiveness
  - Cockx and Baert (2015) – Belgium
  - Bennmarker, Grönqvist, and Öckert (2013) – Sweden
  - Rehwald, Rosholm and Svarer (2015) – Denmark
  - Behagel, Crépon, Gurgand (2014) – France
  - Krug and Stephan (2013) – Germany

- Unemployment Insurance and Job Quality
  - No effect of UI, e.g. Card, Chetty, Weber (2006), Lalive (2007),...
  - Nekoei and Weber (2016) positive, Bender et al. (2016) or Degen and Lalive (2015) negative.

We study whether JSA affects job finding and loss

Background

Unemployment Insurance

- Benefits
  - Eligible if worked more than 12 months prior to claiming
  - Benefits: 70% or 80% of insured earnings
  - Duration: 18 or 24 months
- Activation through case-workers at the public employment service (PES)
  - Monthly meetings with case-worker
  - Monitoring of job search activities; sanctions for non-compliance
  - Job search assistance, training, or subsidized employment

Who is Hestia?

Who is Hestia?

Who are Les Maisons Hestia?

Job search assistance firm, established 2006, by Bernard Courtaud

Mission: help job seekers find jobs

Activities:

- Interviews
  - build realistic career prospect
  - establish and improve job search strategy
  - about 3-4 per month per job seeker
- Job Openings
  - call firms: about 4-5 per month per job seeker
  - new job openings: about 1-2 per month per job seeker

Pilot Study

Finding Jobs in Geneva

- In 2006, the minister of labor affairs of the canton of Geneva considers new ways of counseling long-term unemployed

- Contract with Hestia for the period of a pilot study, extension possible
  - Stock of 100 long-term job seekers
  - Monthly payment, per job seeker, decreases in time with Hestia:
    - ★ 1000.– SFr during months 1 to 6
    - ★ 500.– SFr during months 7 to 18
    - ★ 350.– SFr after 19 months
  - Hestia receives new clients from eligible pool, at random

Implementation

1. Target population
   - Registered at the cantonal unemployment office for at least one year
   - Eligible for unemployment benefits and/or to labor market measures
   - Not on medical leave or maternity leave
   - Not currently involved in any cantonal program for criminals.

2. Random allocation to treatment, 890 job seekers
   - 60% treatment (Hestia), max. 100 job-seekers at a time
     - ⋆ Hestia files were checked for eligibility
     - ⋆ About 50 % assigned to Hestia are eligible
   - 40% control (PES)
   - Job seekers cannot change their allocation, providers cannot choose their clients
   - We report intention to treat effects (ITT)

3. Evaluation (short-run in 2008, long-run now)

Descriptive Evidence

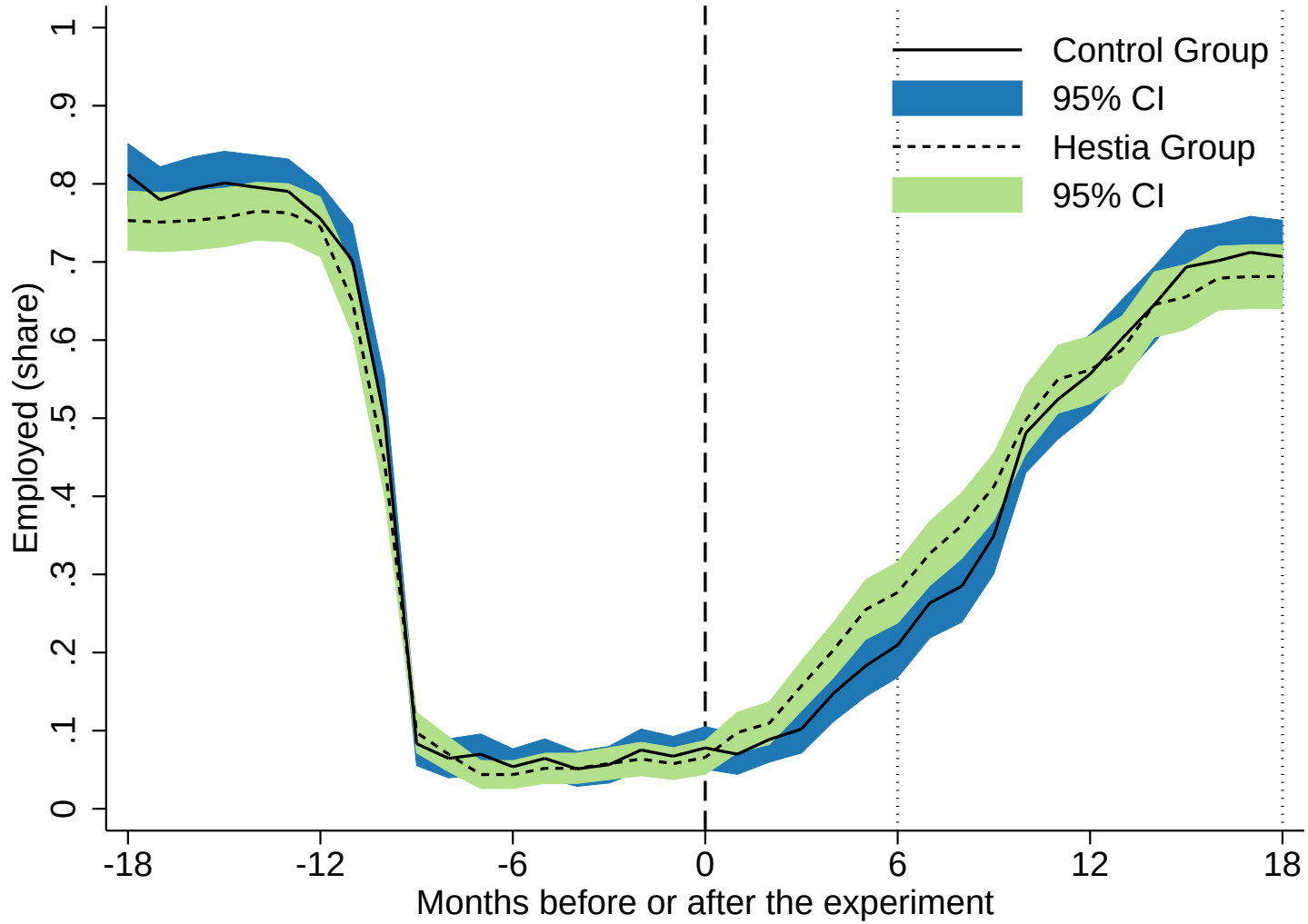
What is the Treatment?

	PES (control)	**Hestia (treated)**
Job search assistance	No	Yes
Incentive	No	Yes
Other ALMP	same	
Job search obligations	same	
Unemployment benefits	same	
Social Assistance	same	

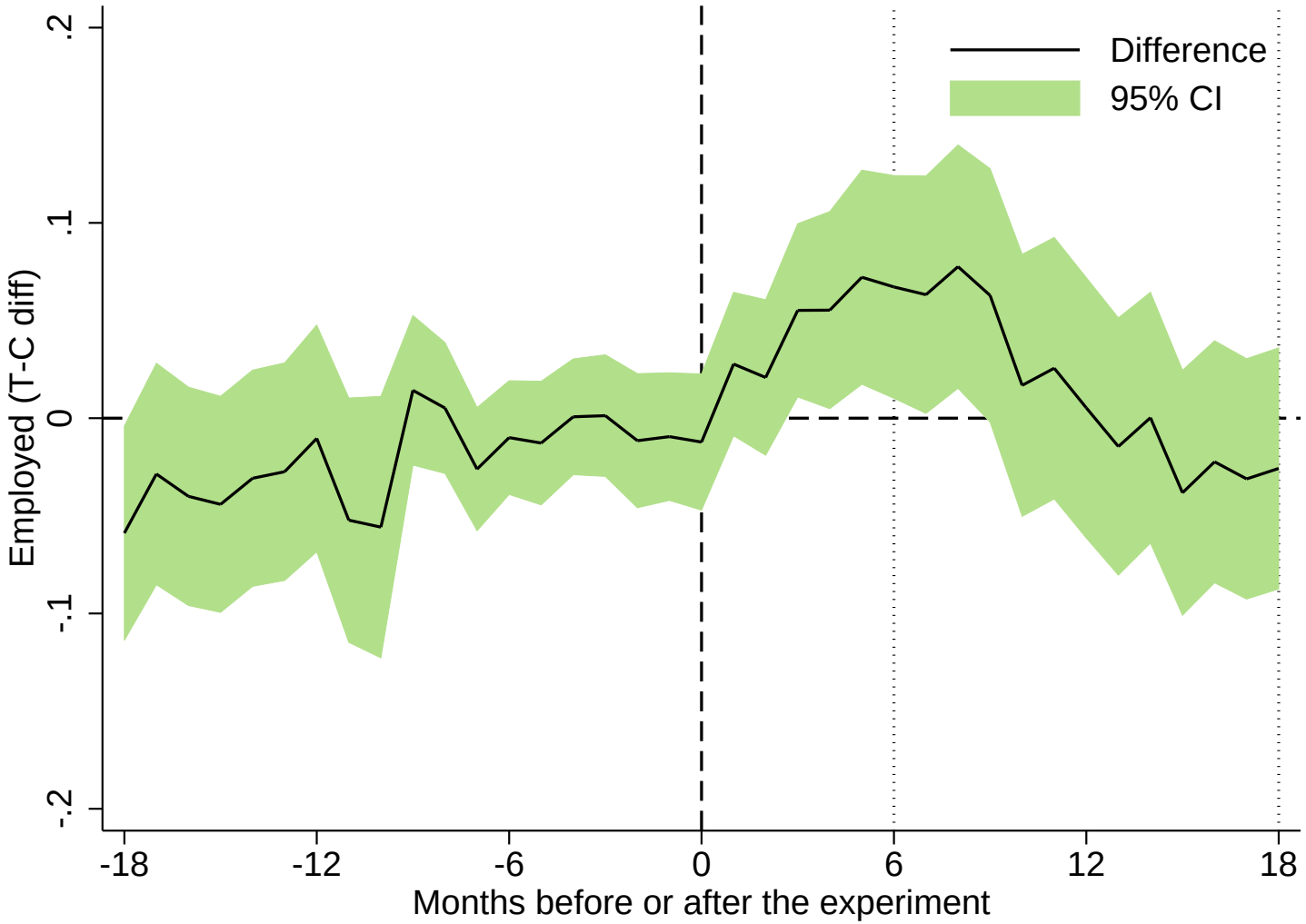
Main differences: JSA, Incentive.

What Happened?

Employed

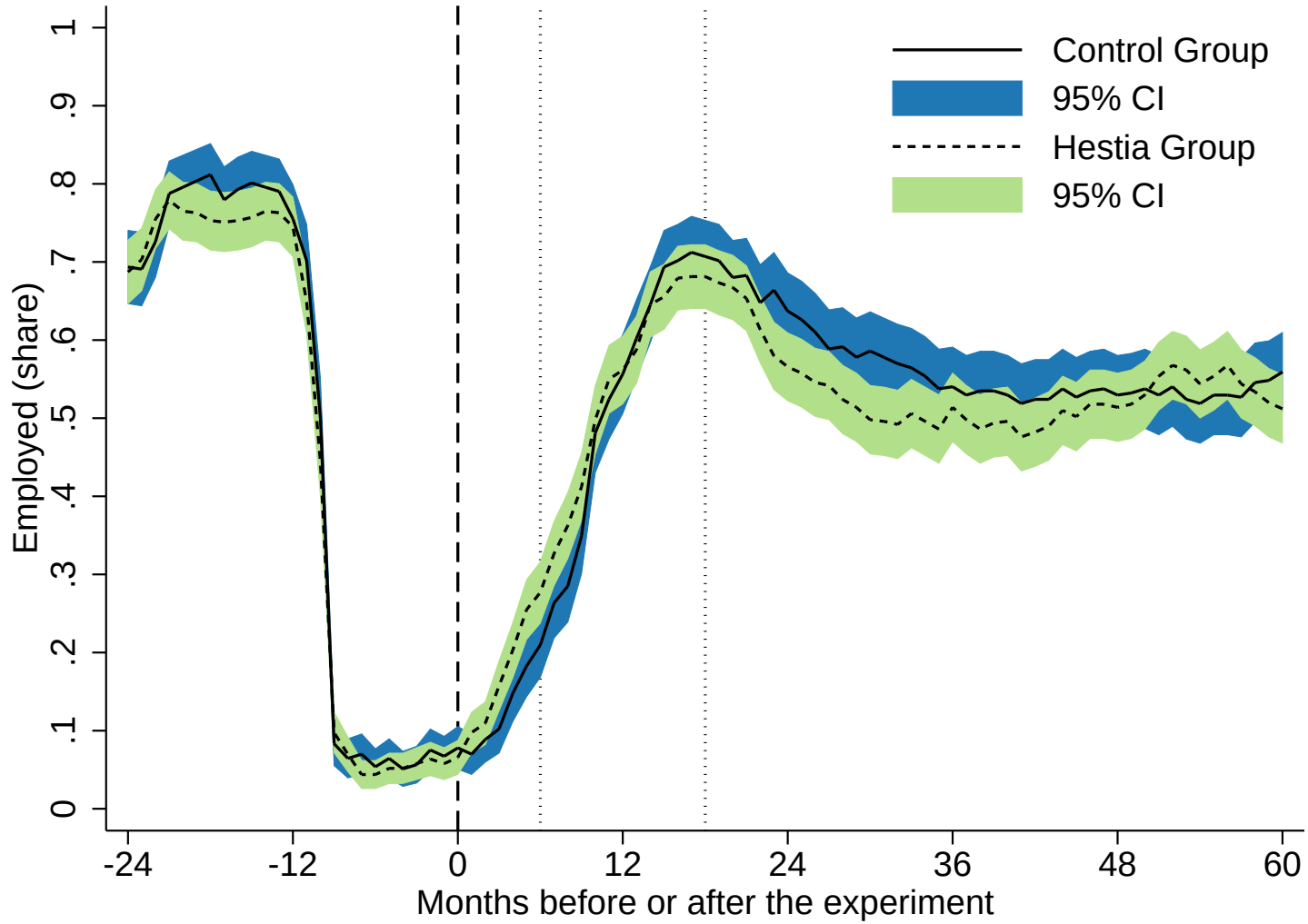

Control Group
95% CI
Hestia Group
95% CI
Employed (share)
0
.1
.2
.3
.4
.5
.6
.7
.8
.9
1
-18
-12
-6
0
6
12
18
Months before or after the experiment

Employed

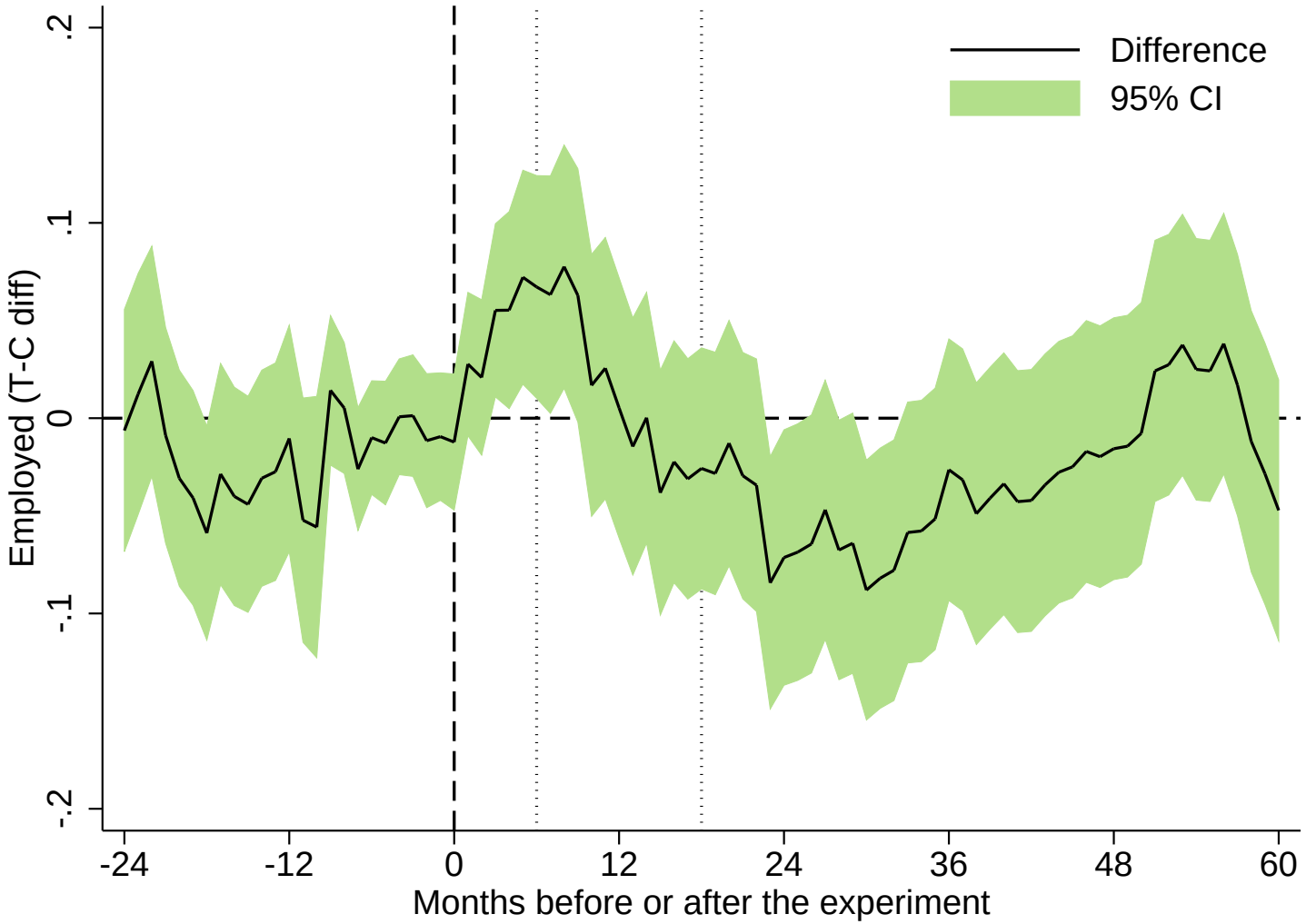

Difference
95% CI
Employed (T-C diff)
.2
.1
0
-.1
-.2
-18
-12
-6
0
6
12
18
Months before or after the experiment

What Happened Later On?

Employed

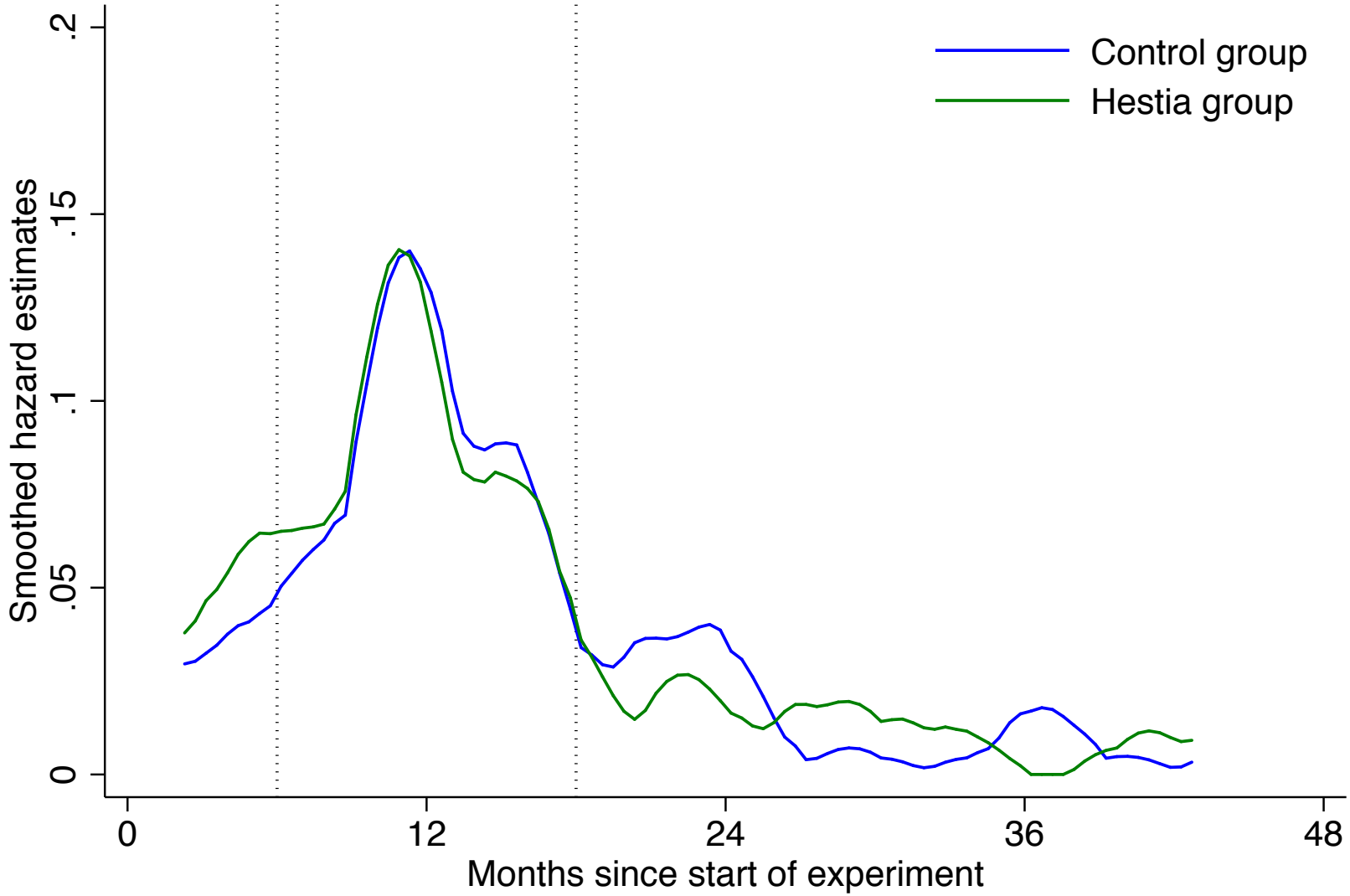

Control Group
95% CI
Hestia Group
95% CI
Employed (share)
0
.1
.2
.3
.4
.5
.6
.7
.8
.9
1
-24
-12
0
12
24
36
48
60
Months before or after the experiment

Employed


Difference
95% CI
Employed (T-C diff)
.2
.1
0
-.1
-.2
-24
-12
0
12
24
36
48
60
Months before or after the experiment

Transitions

Unemployment to Job Hazard

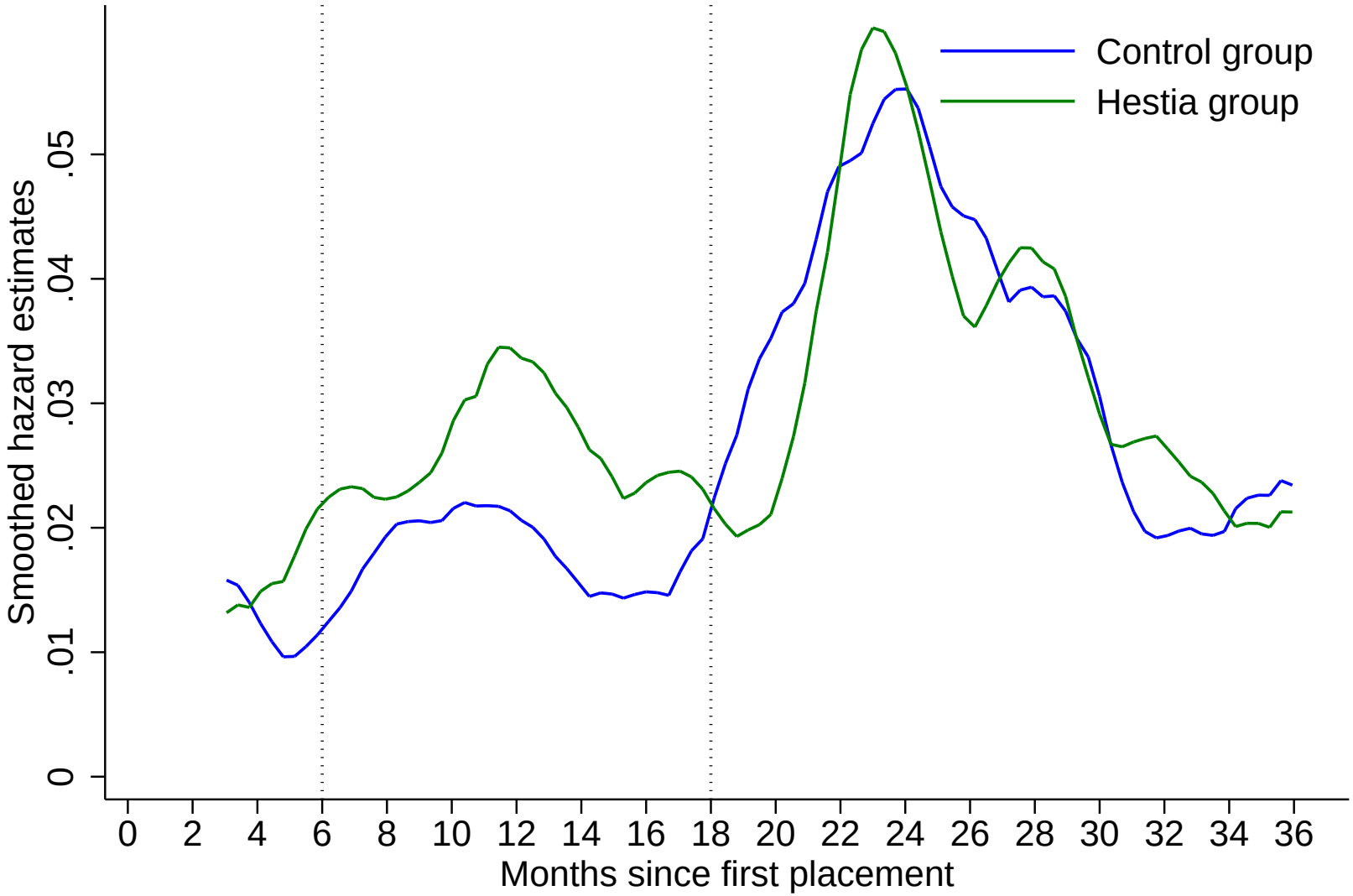


Unemployment to Job Hazard

	base	controls
Treated * 0-2 mths	0.097	0.106
	(0.221)	(0.221)
Treated * 3-5 mths	0.374**	0.385**
	(0.162)	(0.162)
Treated * 6-17 mths	-0.027	-0.012
	(0.090)	(0.092)
Treated * 18 mths +	-0.305	-0.299
	(0.217)	(0.218)
Log lik	-4548	-4544
Individuals	18631	18631

Cox regression of transition from unemployment to job. Date 0 is assignment to Hestia, or control. Treated * 0-2 mths refers to the job finding rate during the first three months after assignment to Hestia. Controls refers to cohort fixed effects. Robust standard errors in parentheses.

Employment Loss Hazard



Cox PH estimates: job loss

	base	controls	dur
Treated * 0-2 mths	-0.379	-0.372	-0.405
	(0.397)	(0.397)	(0.387)
Treated * 3-5 mths	0.504	0.509	0.493
	(0.329)	(0.329)	(0.327)
Treated * 6-11 mths	0.138	0.153	0.111
	(0.218)	(0.220)	(0.221)
Treated * 12-17 mths	0.608**	0.630**	0.583**
	(0.253)	(0.253)	(0.254)
Treated * 18 mths +	-0.083	-0.069	-0.119
	(0.103)	(0.103)	(0.109)
Log lik	-3528	-3525	-3504
Individuals	25980	25980	25980

Cox regression of transition from employment to not having employment. Date 0 is assignment to Hestia, or control. Treated * 0-2 mths refers to the job finding rate during the first three months after the job started. Model controls refers to cohort fixed effects. Model dur controls for when job seekers left unemployment. Robust standard errors in parentheses.

Why lower job stability?

Competing Explanations

- Statistical
  - Composition of workers: NO
- Firms
  - Temporary contracts: NO
  - Probation: No
- Interference
  - JSA interferes with job search strategy

Median, Low, and High Earnings

Log earnings change, pre to post unemployment

	median	dur	low	high
Treated	0.031	0.128	-0.078	0.077
	(0.054)	(0.109)	(0.111)	(0.299)
Treated * Job 4-6		-0.037	-0.055	0.130
		(0.131)	(0.186)	(0.532)
Treated * Job 7-18		-0.118	0.068	-0.050
		(0.130)	(0.156)	(0.324)
Treated * Job 18+		-0.316	-0.902*	-0.319
		(0.366)	(0.534)	(0.367)
Adj. R2				
Individuals	700	700	700	700

Regressions explain the change in log earnings from pre to post unemployment. Low means first quartile, high means third quartile of the earnings change distribution. Job in 4 to 6 months means job seeker found a job 4 to 6 months after entering the pilot. Model base does not control for when job seekers found a job. Model inter adds dummies and interactions with the treatment indicator. Models high and low adopt the inter specification. regression include cohort fixed effects. Robust standard errors in parentheses.

Employment Loss and Timing

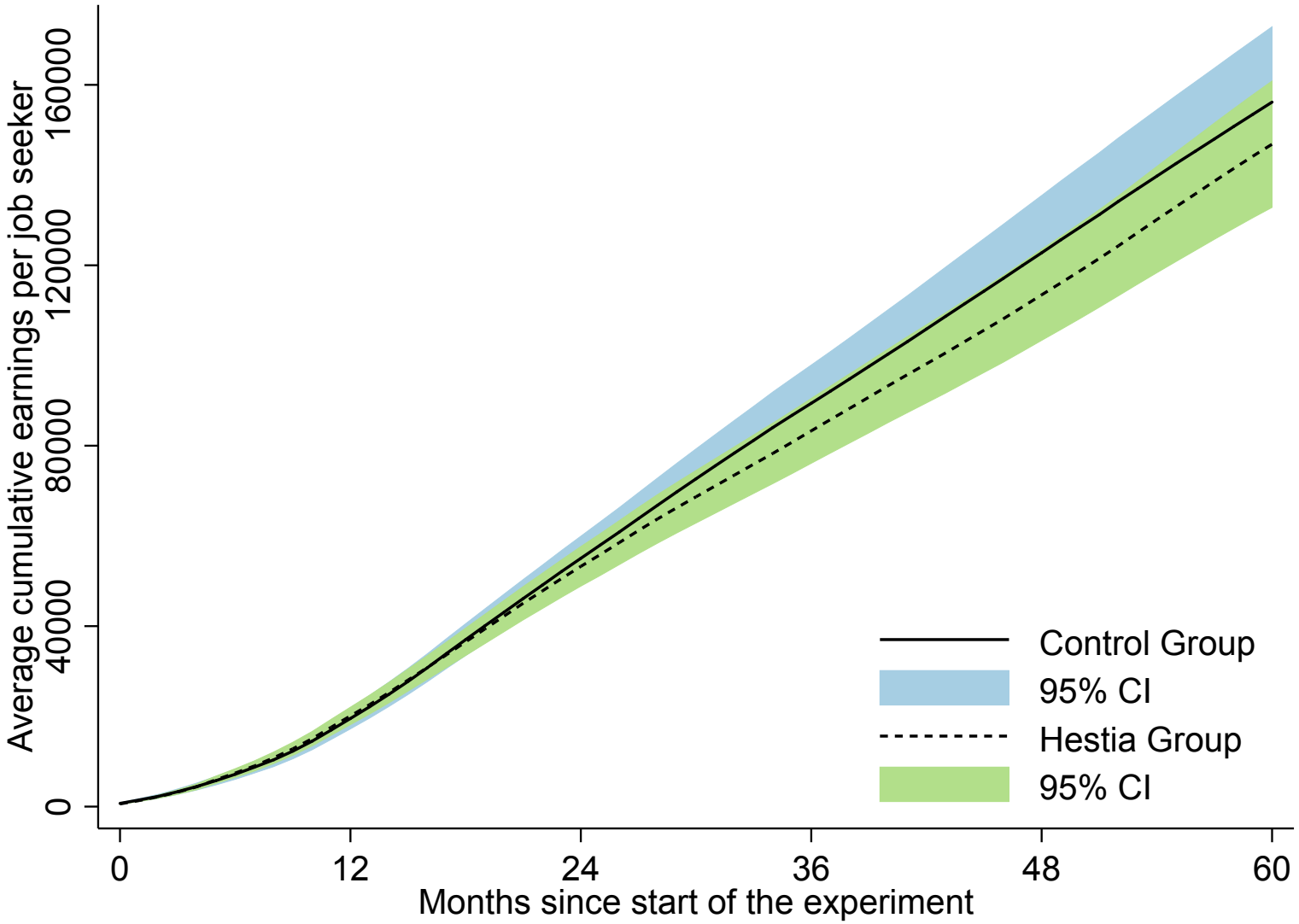
Loss of employment within 12 months

	base	dur	inter
Treated	0.061*	0.034	-0.195*
	(0.031)	(0.028)	(0.106)
Treated * Job 4-6			0.258*
			(0.141)
Treated * Job 7-18			0.266**
			(0.112)
Treated * Job 18+			0.204*
			(0.108)
Adj. R2	-0.003	0.157	0.163
Individuals	739	739	739

Regressions explain loss of employment within 12 months after starting a new job. Job in 4 to 6 months means job seeker found a job 4 to 6 months after entering the pilot. Model base does not control for when job seekers found a job. Model dur adds dummies for time periods, model inter adds dummies and interactions with the treatment indicator. All regression include cohort fixed effects. Robust standard errors in parentheses.

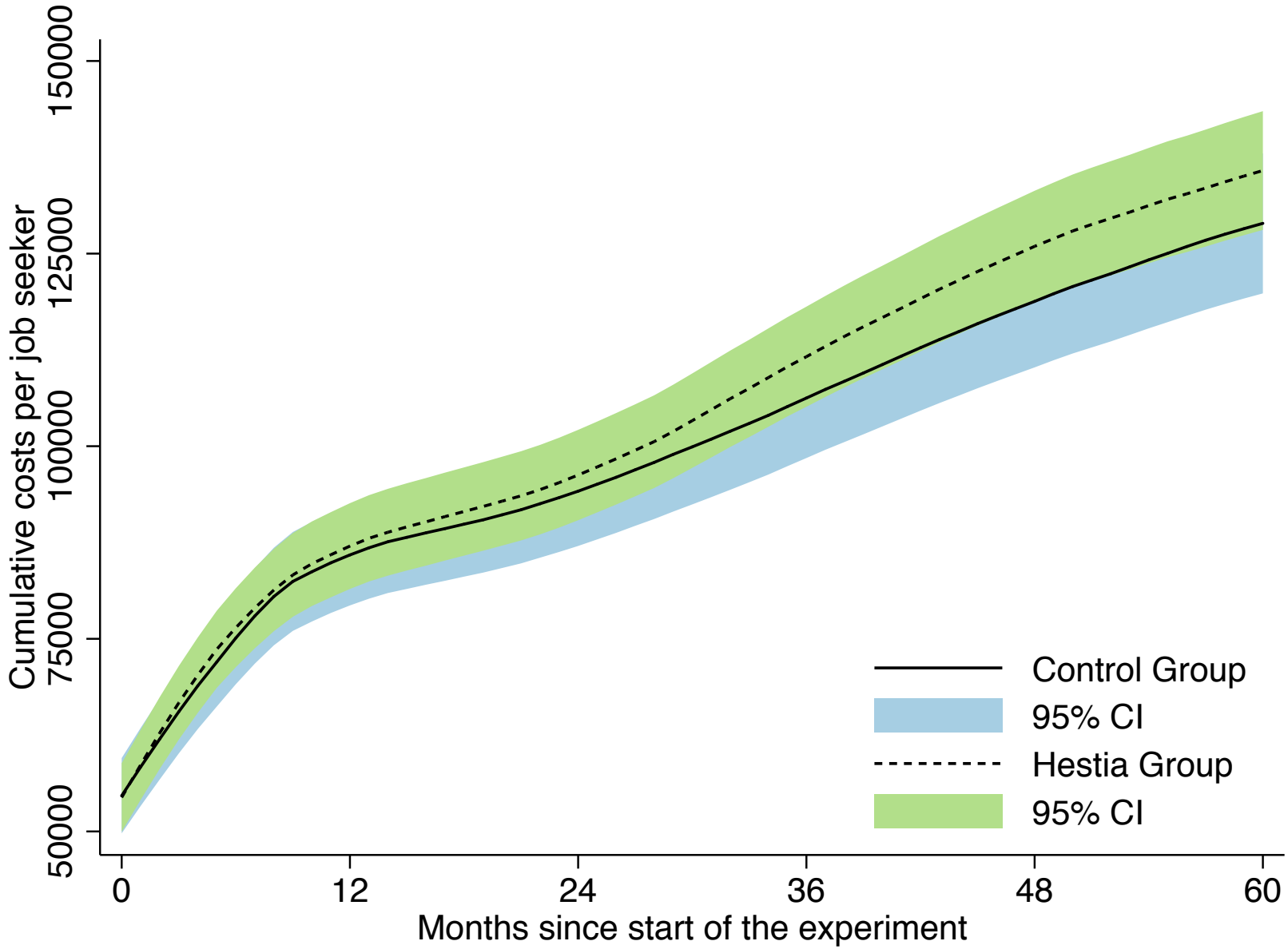
Costs and Benefits

Individuals' perspective: earnings



UI's perspective: costs

Program + UB



Did Hestia work?

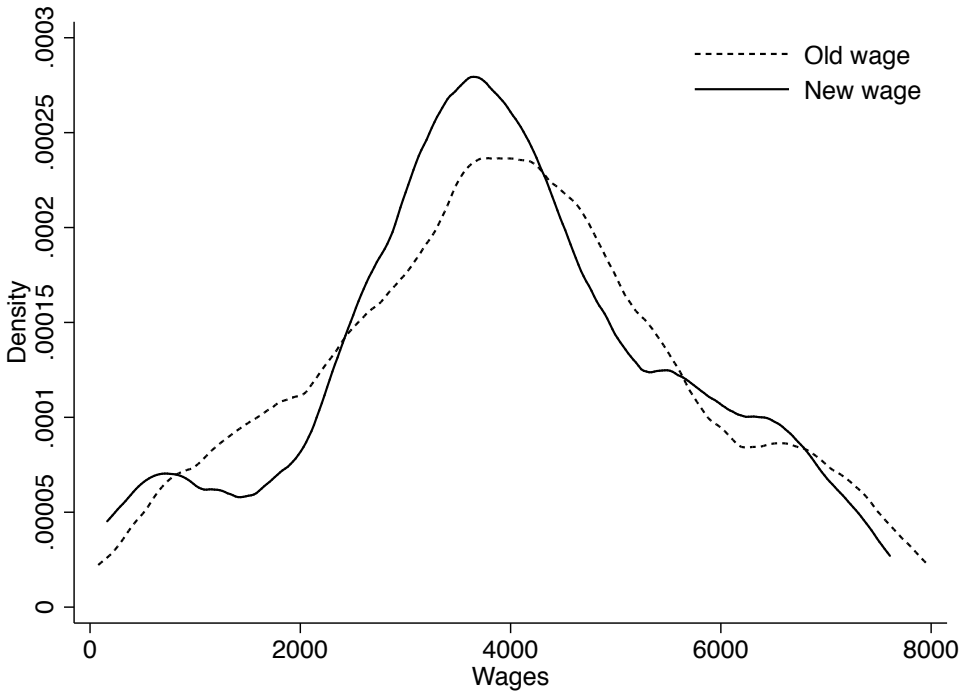
- Yes in the short-run: higher employment, less UB $\Rightarrow$ due to faster job entry
- Not in the medium-run: lower employment, lower wages, higher UB $\Rightarrow$ due to faster job exit
- JSA is better for those it places during the first three months, but worse for those it places later on.
- Overall: individuals have lower earnings, and less unemployment benefits. Costs of JSA are substantial.

Beyond Hestia

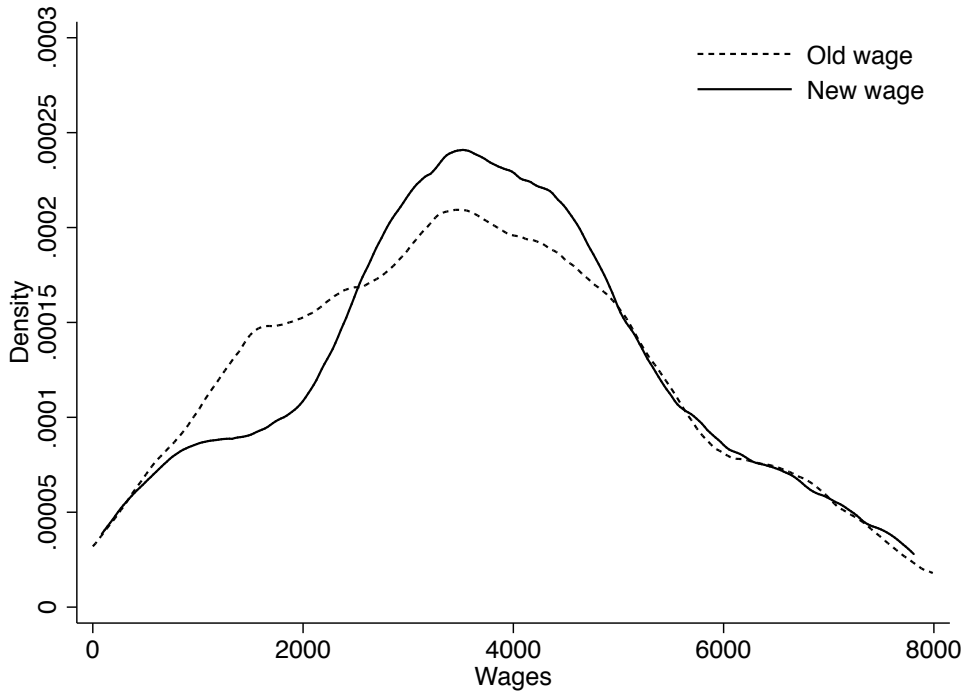
- Hestia is privately provided job search assistance with incentives
- Nothing special about private provision, virtually all job search assistance is privately provided in Switzerland
- Incentives vs job search assistance
  - Very hard to disentangle, we only see the package
  - Only job search assistance: why this pattern in the timing of effects? Why negative effects?
  - Only incentives: why any effect at all?
- Tentative implications
  - JSA coupled with short-term incentive does not work
  - JSA with long-term (or no) incentive

Thank you!

Distribution of wages



(a) Control group



(b) Hestia group

Literature

- Outsourcing job placement for:
  - Highly qualified job seekers in Denmark: Rehwald, Rosholm, Svarer (2015)
  - Job seekers with high risk of long-term unemployment in France: Behagel, Crépon, Gurgand (2014)
  - Adolescents, immigrants and disabled in Sweden: Bennmarker, Grönqvist, and Öckert (2013)
  - Hard-to-place job seekers in Germany: Krug and Stephan (2013)
- Our contribution
  - New evidence on the effects of outsourcing job search assistance to private firms, with focus on long term unemployment
  - Long-run evaluation, full range of outcome variables

Preview of results

- Short-run effects
  - Fewer job seekers receive unemployment benefits
  - More employed, because enter jobs faster
- Medium-run effects
  - Fewer job seekers in employment, slower job entry
  - Faster job exit, especially once eligible for unemployment benefits
- Long-run effects
  - Both programs yield similar outcomes
- Financial incentives matter for Hestia and job seekers
- Cost-benefit: outsourcing is expensive but self-financed through lower benefit receipt

Modeling incentives

Hestia

- How do financial incentives affect placement effort?
- Modelling Hestia
  - Payment is initially ω per job seeker P, decreases at rate δ every period
  - Hestia chooses effort, e, equal to job finding rate
  - Finite contract

$$\pi_0 = \omega P - \frac{\omega P}{2} e_0^2 = \omega P[1 - \frac{1}{2} e_0^2] \quad (1)$$

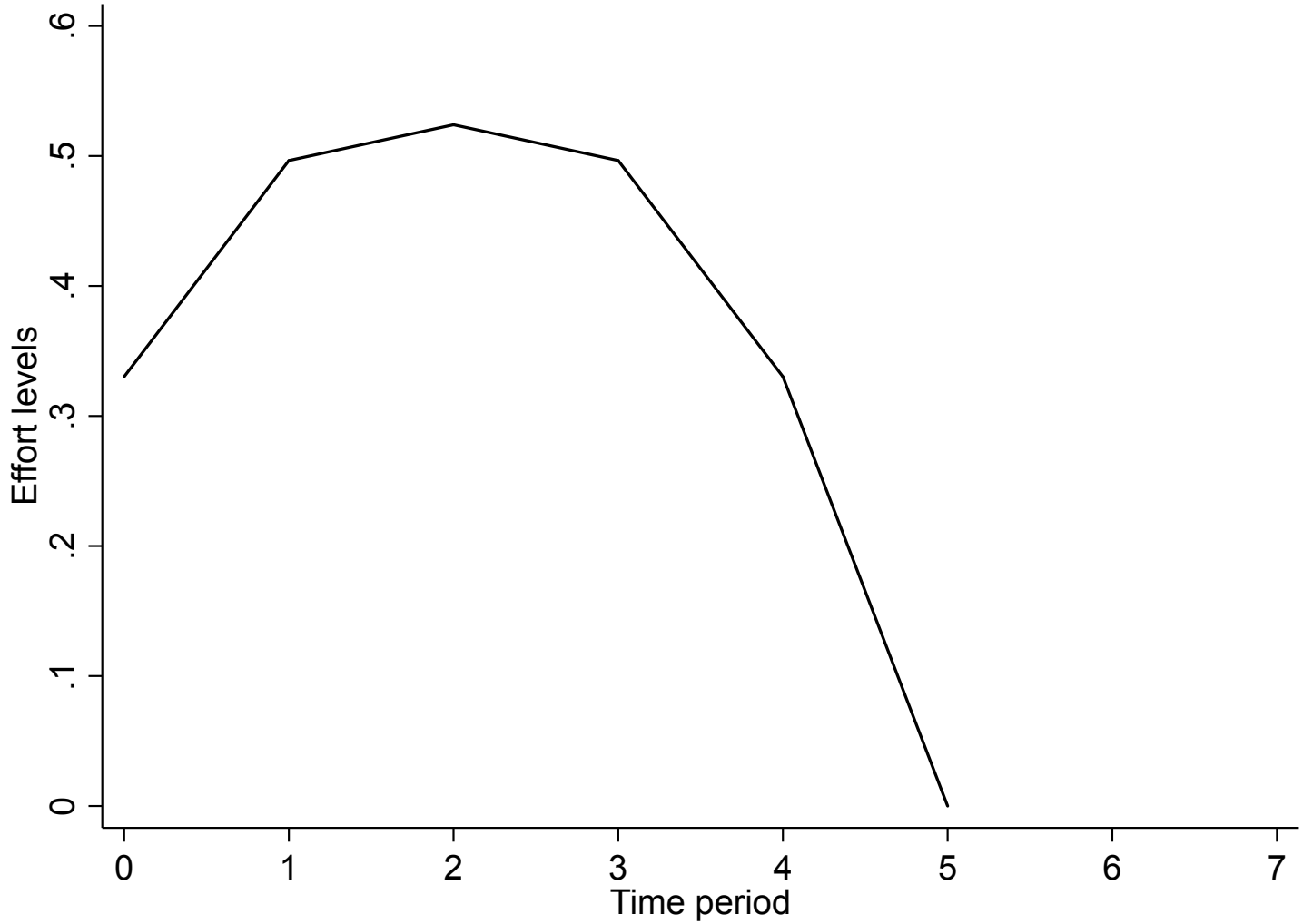
- Profit in second period

$$\pi_1 = \omega P[e_0 + \delta(1 - e_0) - \frac{1}{2} e_1^2] \quad (2)$$

- and so on ...

Modeling incentives

Hestia, continued



Note: $\delta = 0.8$, and payment ends in period 5.

Modeling incentives

PES

- PES budget does not depend on case-load
- PES efficiency of effort is $\alpha < 1$
- Case-worker utility

$$U = \alpha e - \frac{1}{2} e^2$$

- Case-worker chooses $e = \alpha$
- Public effort is flat
- Public effort can be higher or lower than private

Detailed profit function

Hestia profit function (payments end after two periods)

$$\begin{aligned}
\mathcal{L} &= \max_{e_0,e_1,e_2} \sum_{t=0}^{2} \beta^t \pi_t && (3)\\
&= \omega P[1-\frac{1}{2}e_0^2] + \beta\omega P[e_0+\delta(1-e_0)-\frac{1}{2}e_1^2] && (4)\\
&+ \beta^2\omega P[e_1+\delta(1-e_1)e_0+\delta^2(1-e_1)(1-e_0)-\frac{1}{2}e_2^2]
\end{aligned}$$

Solving for e_0, e_1 and e_2 yields the optimal effort levels:

$$\begin{aligned}
e_0 &= \frac{1-\delta^2}{1+\delta(1-\delta)} && (5)\\
e_1 &= \frac{1-\delta^2}{1+\delta(1-\delta)} && (6)\\
e_2 &= 0 && (7)
\end{aligned}$$

Descriptive Statistics

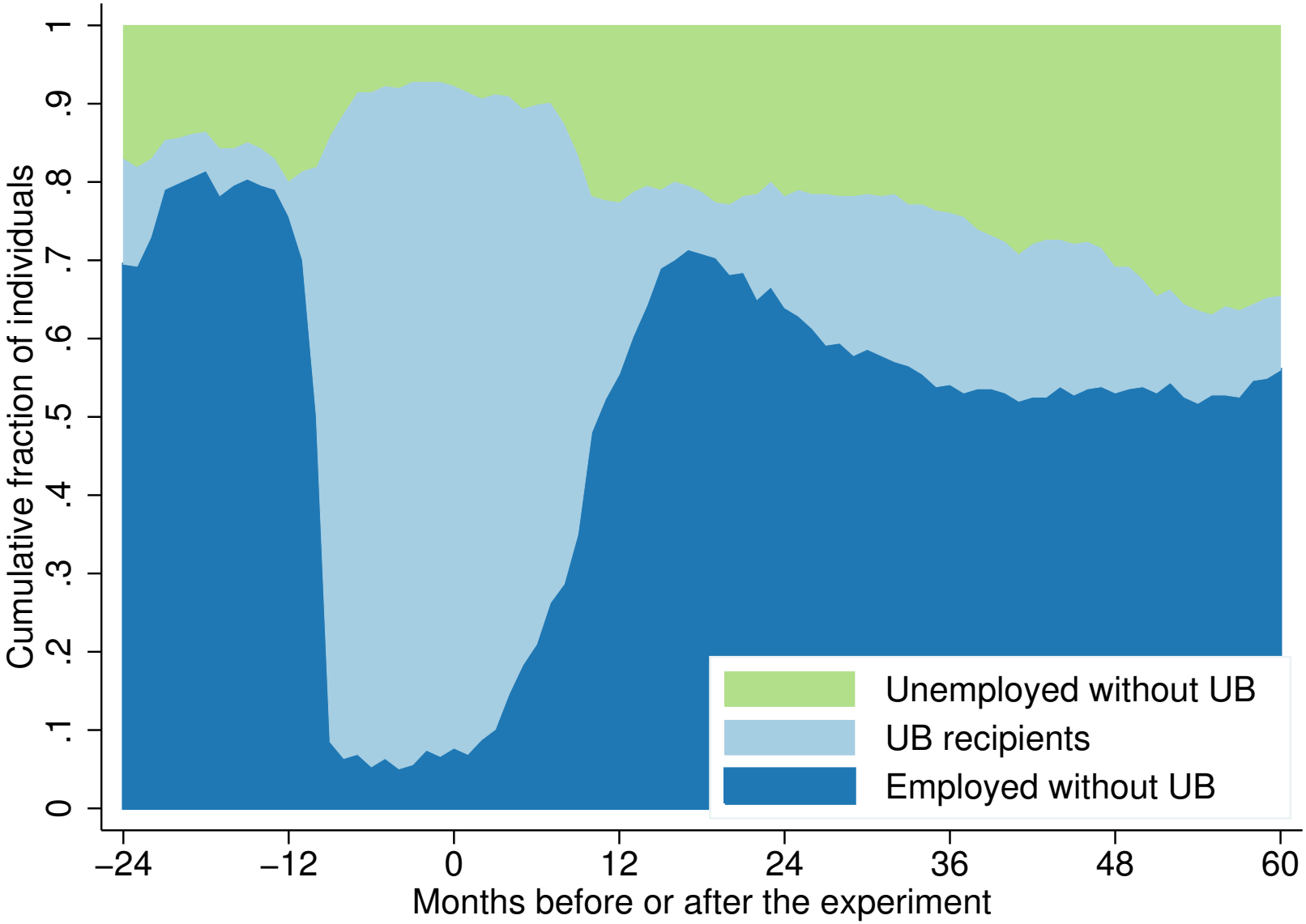
	Control Group		Hestia Group			
Variable	Mean (%)	s.e.	Mean (%)	s.e.	Difference (%)	t-stat
Women	50.5	0.03	48.8	0.02	1.7	0.50
Marital status						
Single	34.9	0.02	33.2	0.02	1.7	0.53
Married	50.8	0.03	53.5	0.02	-2.7	-0.80
Widower	0.5	0.00	0.4	0.00	0.1	0.30
Divorced	13.8	0.02	12.9	0.01	0.9	0.37
Experience						
None	1.3	0.01	2.5	0.01	-1.2	-1.33
Less than 1 year	7.1	0.01	8.6	0.01	-1.5	-0.80
1-3 years	25.4	0.02	26.0	0.02	-0.6	-0.20
More than 3 years	55.8	0.03	50.8	0.02	5.0	1.49
Age						
17-24	8.2	0.01	10.4	0.01	-2.2	-1.10
25-34	27.5	0.02	31.2	0.02	-3.7	-1.21
35-44	27.5	0.02	27.0	0.02	0.6	0.19
45-54	21.4	0.02	18.9	0.02	2.5	0.91
55-64	15.3	0.02	12.1	0.01	3.2	1.38
Schooling						
Compulsory	40.2	0.03	42.6	0.02	-2.4	-0.71
High-school level	36.0	0.02	35.9	0.02	0.0	0.01
University level	19.8	0.02	18.4	0.02	1.5	0.55
Workers						
Swiss	52.1	0.03	49.8	0.02	2.3	0.68
C permit	30.2	0.02	29.3	0.02	0.9	0.28
Other	17.7	0.02	20.9	0.02	-3.2	-1.19
Placement prospects						
Excellent	4.5	0.01	6.2	0.01	-1.8	-1.16
Good	55.0	0.03	52.9	0.02	2.1	0.62
Average	23.0	0.02	20.9	0.02	2.1	0.75
Poor	17.5	0.02	19.9	0.02	-2.5	-0.93
Number of observations	378	-	512	-	-	-

Descriptive Statistics (continued)

	Hestia Group											
	Control Group (1)		Treated Group (2)		Non-treated Group (3)		Difference between groups					
Variable	Mean (%)	s.e.	Mean (%)	s.e.	Mean (%)	s.e.	(1)-(2)	t-stat	(1)-(3)	t-stat	(2)-(3)	t-stat
Women	50.5	0.03	49.6	0.03	48.0	0.03	0.9	0.23	2.5	0.62	1.6	0.36
Marital status												
Single	34.9	0.02	30.8	0.03	35.7	0.03	4.2	1.10	-0.8	-0.20	-4.9	-1.19
Married	50.8	0.03	55.0	0.03	52.0	0.03	-4.2	-1.05	-1.2	-0.29	3.0	0.68
Widower	0.5	0.00	0.4	0.00	0.4	0.00	0.1	0.27	0.1	0.24	-0.0	-0.02
Divorced	13.8	0.02	13.8	0.02	11.9	0.02	-0.1	-0.03	1.9	0.68	1.9	0.66
Experience												
None	1.3	0.01	1.2	0.01	4.0	0.01	0.2	0.19	-2.6	-1.94	-2.8	-2.01
Less than 1 year	7.1	0.01	6.9	0.02	10.3	0.02	0.2	0.11	-3.2	-1.36	-3.4	-1.37
1-3 years	25.4	0.02	23.8	0.03	28.2	0.03	1.6	0.45	-2.8	-0.77	-4.3	-1.11
More than 3 years	55.8	0.03	55.8	0.03	45.6	0.03	0.1	0.01	10.2	2.51	10.1	2.30
Age												
17-24	8.2	0.01	10.0	0.02	10.7	0.02	-1.8	-0.77	-2.5	-1.04	-0.7	-0.26
25-34	27.5	0.02	31.5	0.03	31.0	0.03	-4.0	-1.09	-3.4	-0.93	0.6	0.14
35-44	27.5	0.02	21.9	0.03	32.1	0.03	5.6	1.62	-4.6	-1.24	-10.2	-2.61
45-54	21.4	0.02	19.6	0.02	18.3	0.02	1.8	0.56	3.2	0.98	1.4	0.39
55-64	15.3	0.02	16.9	0.02	7.1	0.02	-1.6	-0.53	8.2	3.32	9.8	3.44
Schooling												
Compulsory	40.2	0.03	44.6	0.03	40.5	0.03	-4.4	-1.10	-0.3	-0.07	4.1	0.95
High-school level	36.0	0.02	33.1	0.03	38.9	0.03	2.9	0.76	-2.9	-0.74	-5.8	-1.37
University level	19.8	0.02	18.5	0.02	18.3	0.02	1.4	0.44	1.6	0.50	0.2	0.06
Workers												
Swiss	52.1	0.03	50.8	0.03	48.8	0.03	1.3	0.33	3.3	0.81	2.0	0.44
C permit	30.2	0.02	31.2	0.03	27.4	0.03	-1.0	-0.27	2.8	0.76	3.8	0.94
Other	17.7	0.02	18.1	0.02	23.8	0.03	-0.4	-0.11	-6.1	-1.83	-5.7	-1.59
Placement prospects												
Excellent	4.5	0.01	8.1	0.02	4.4	0.01	-3.6	-1.79	0.1	0.08	3.7	1.74
Good	55.0	0.03	53.5	0.03	52.4	0.03	1.6	0.39	2.6	0.65	1.1	0.24
Average	23.0	0.02	19.6	0.02	22.2	0.03	3.4	1.04	0.8	0.23	-2.6	-0.72
Poor	17.5	0.02	18.8	0.02	21.0	0.03	-1.4	-0.44	-3.6	-1.11	-2.2	-0.62
Number of observations	378	-	260	-	252	-	-	-	-	-	-	-

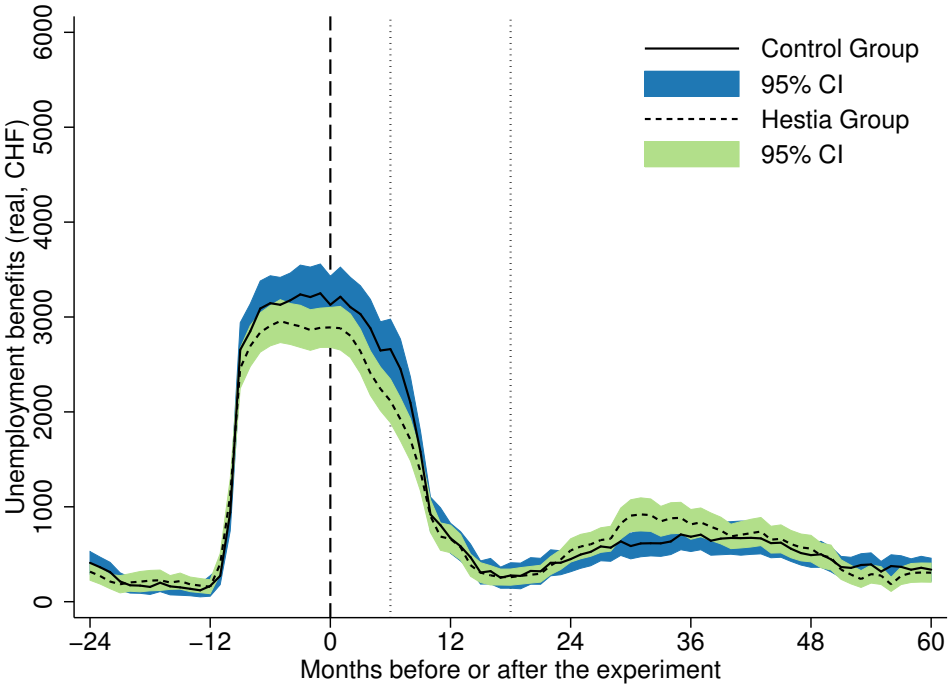
Employment Patterns

Control group

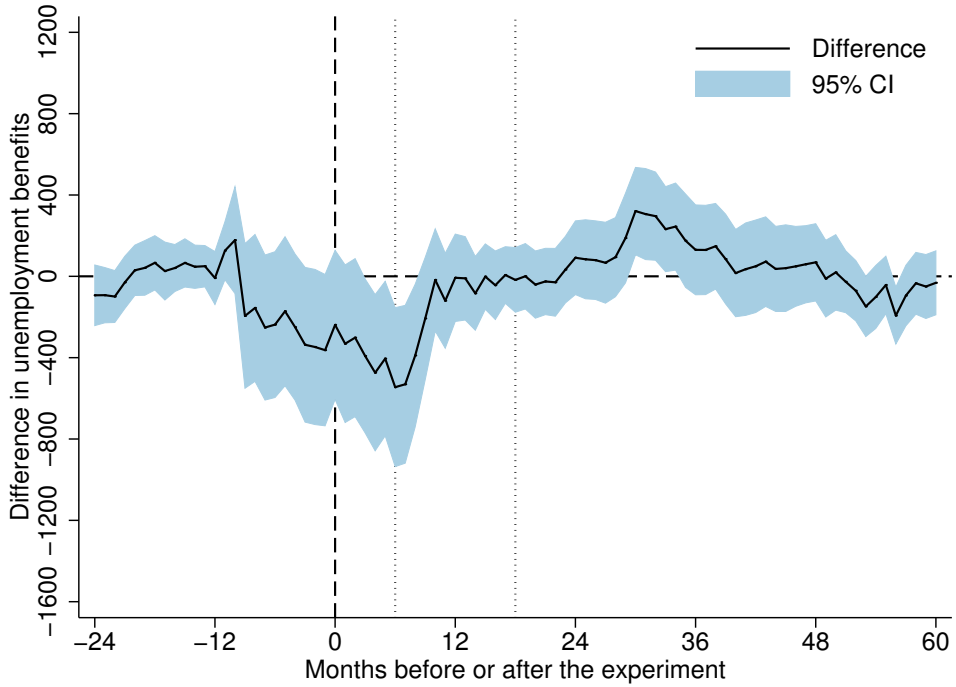


Descriptive Analysis

Unemployment benefits



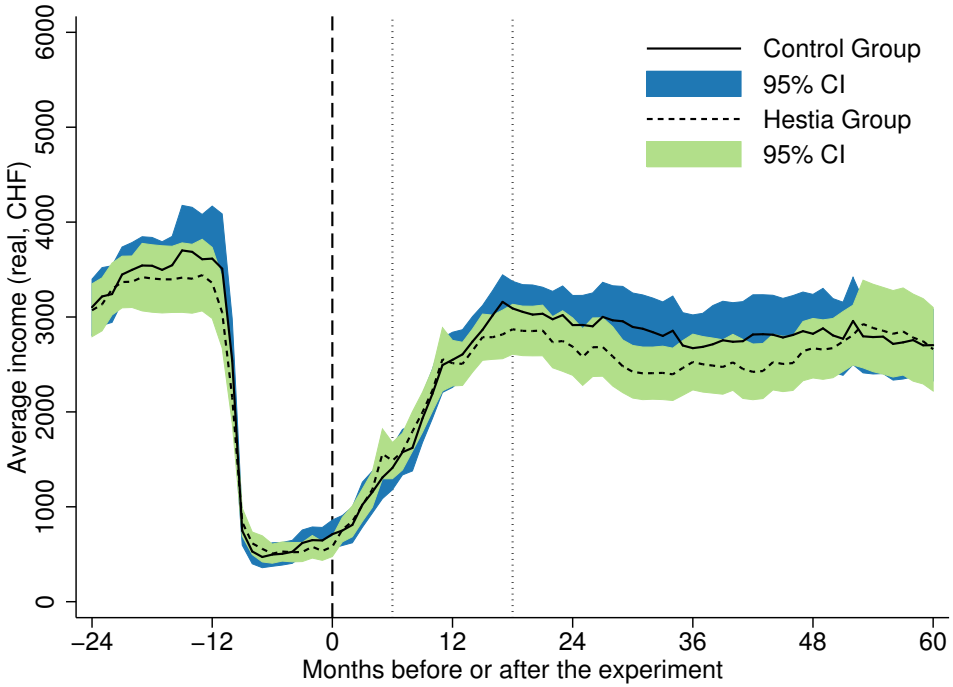
(a) Average UB received



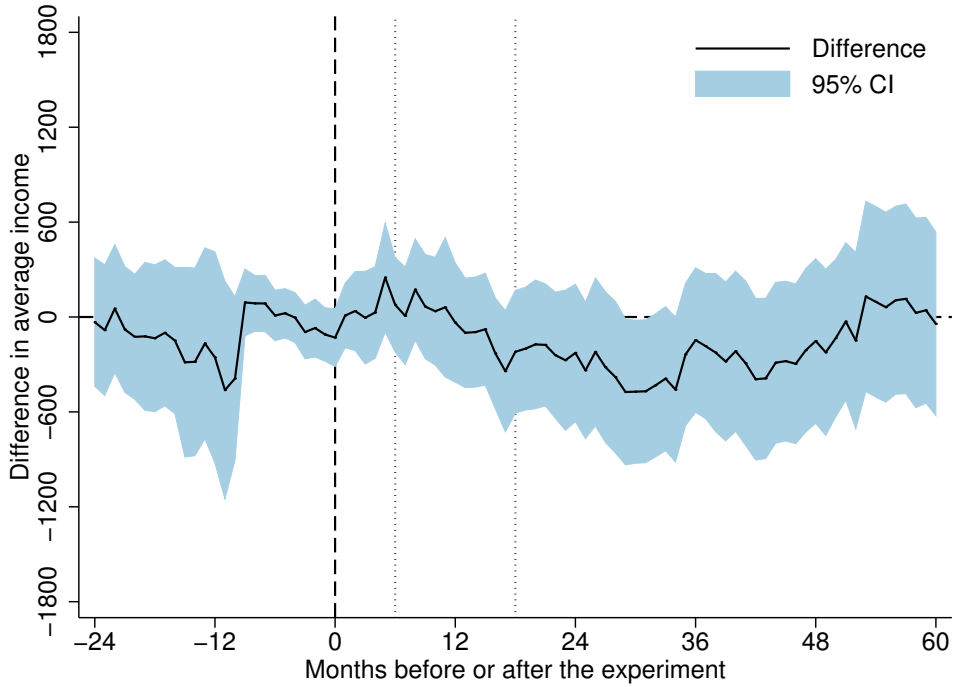
(b) Average UB received (difference)

Descriptive Analysis

Work income



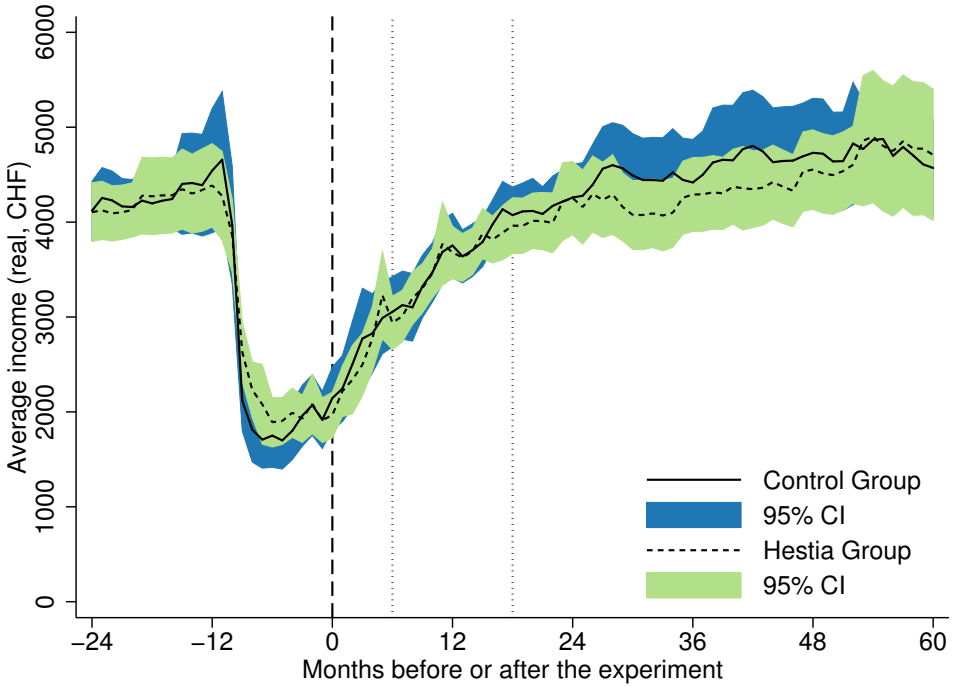
(a) Average work income



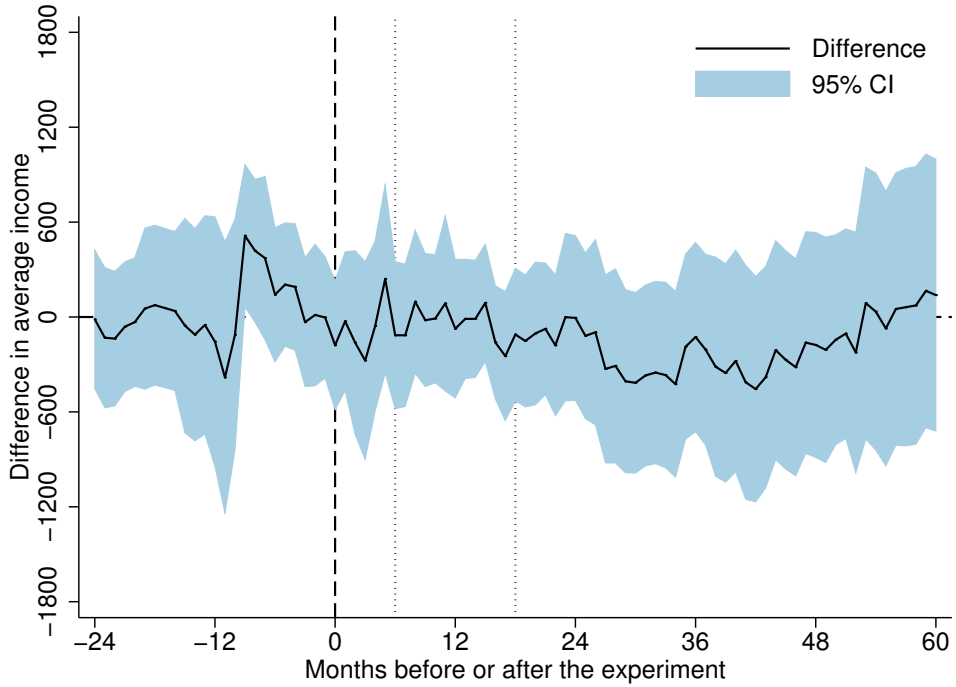
(b) Average work income (difference)

Employment Patterns

Income if employed



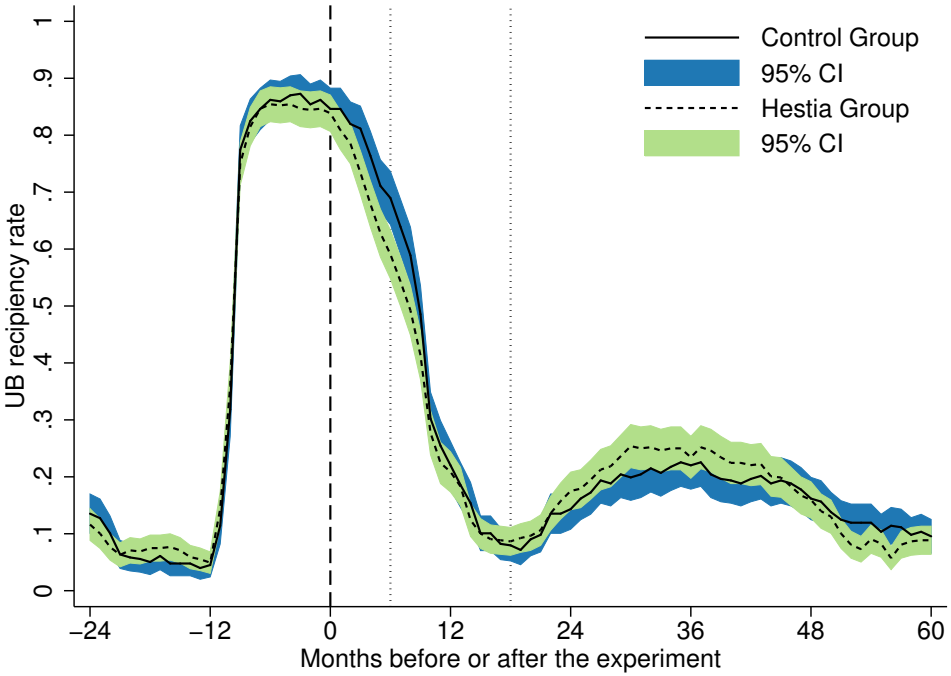
(a) Income if employed



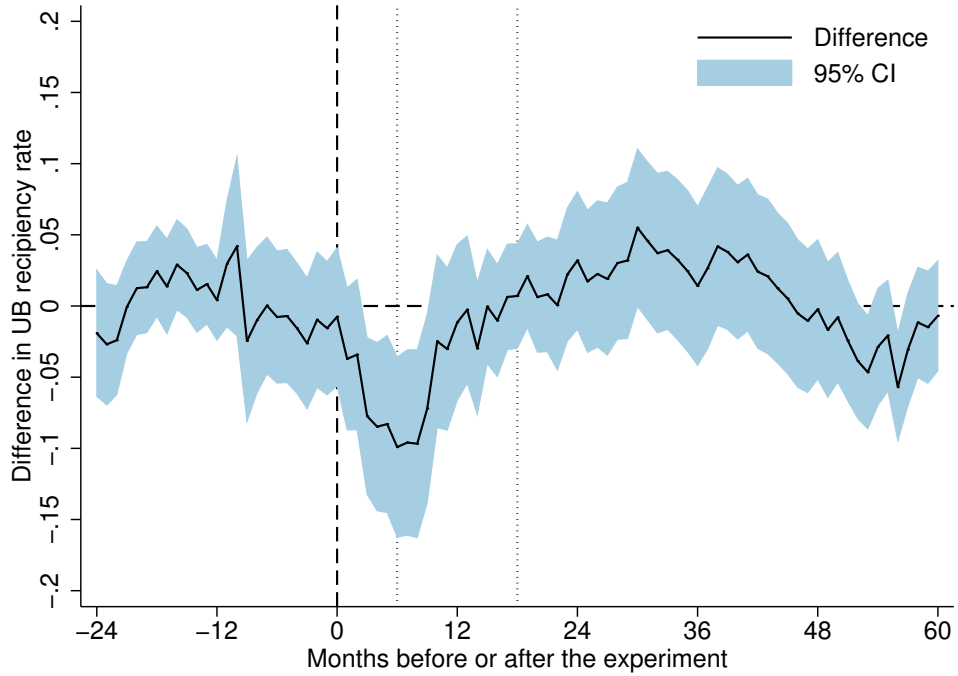
(b) Income if employed (difference)

Employment Patterns

UB recipients



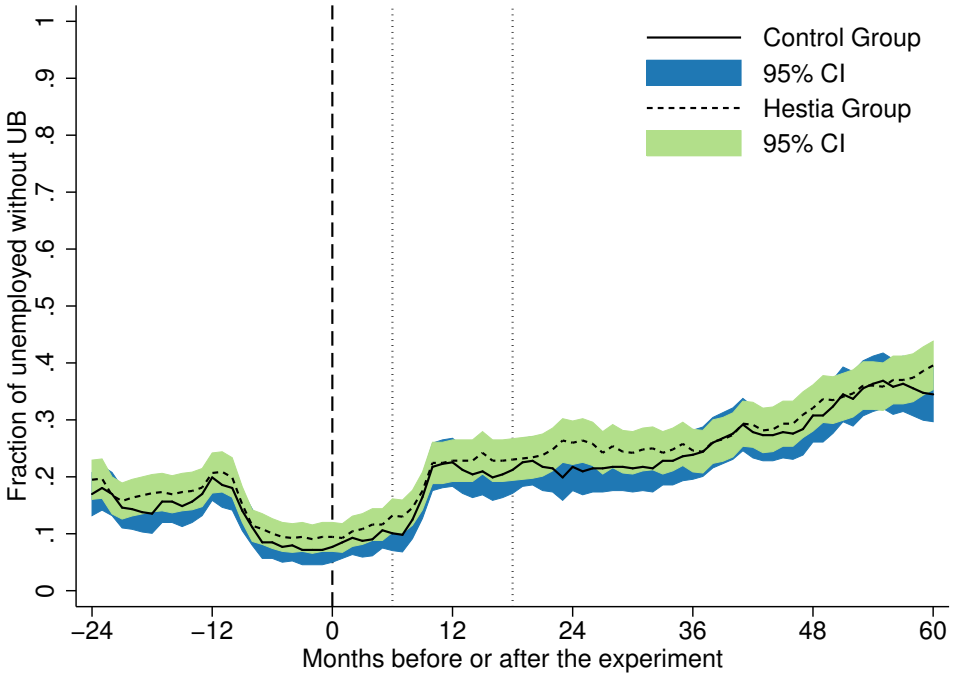
(a) UB recipients



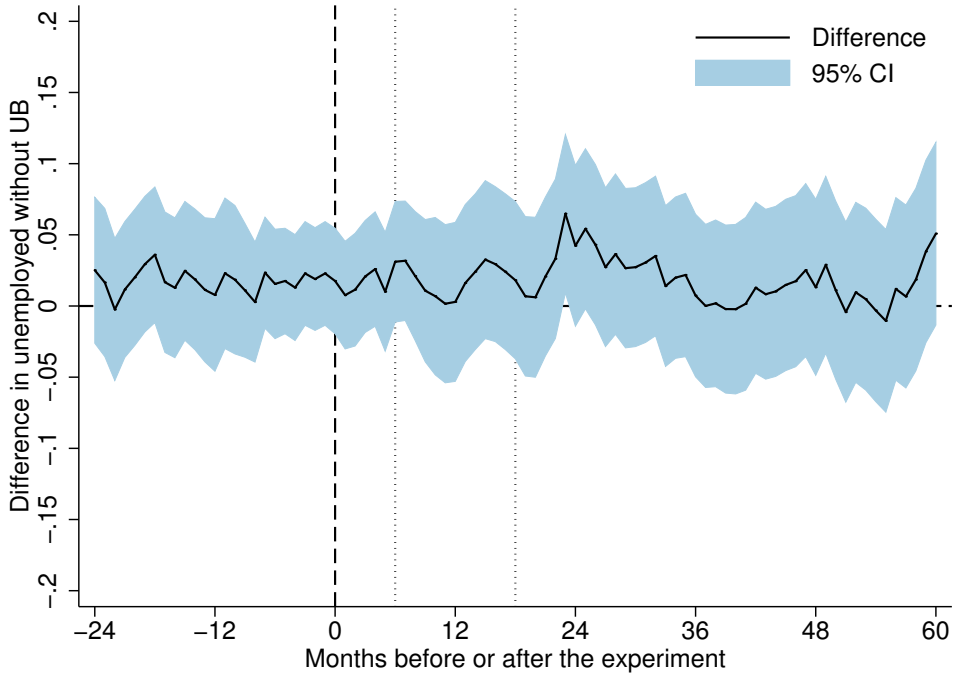
(b) UB recipients (difference)

Employment Patterns

Unemployed without UB



(a) Unemployed without UB



(b) Unemployed without UB (difference)

Empirical Framework

We estimate:

$$Y_{it} = \alpha + X_i'\beta + \mathcal{T}_t'\gamma + D_i * \mathcal{T}_t'\delta + u_{it}$$

- X_i vector of individual-specific, time-invariant controls
- D_i treatment dummy
- $\mathcal{T}_t$ vector of (monthly) time dummies from t_{-24} to t_{+60}
- $D_i * \mathcal{T}_t'$ vector of interaction terms
- δ measures the intention-to-treat effect (ITT)

$\Rightarrow$ Need to make sure that the randomization worked to correctly identify the ITT

Empirical Results

Labor market states

	Employed, no UB		UB recipients		Unemployed, no UB	
	(1)	(2)	(3)	(4)	(5)	(6)
Randomization						
Hestia*24-11 m. before	-0.024	-0.039	0.006	0.010	0.018	0.029
	(0.02)	(0.03)	(0.01)	(0.01)	(0.02)	(0.02)
Hestia*12-1 m. before	-0.013	-0.019	-0.003	-0.007	0.016	0.026
	(0.01)	(0.01)	(0.02)	(0.02)	(0.02)	(0.02)
Treatment Effects						
Hestia*0-11 m. after	0.046**	0.035*	-0.062***	-0.060***	0.016	0.025
	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)	(0.02)
Hestia*12-23 m. after	-0.025	-0.029	0.001	0.001	0.023	0.028
	(0.03)	(0.03)	(0.02)	(0.02)	(0.02)	(0.03)
Hestia*24-35 m. after	-0.064**	-0.075***	0.032	0.039*	0.032	0.036
	(0.03)	(0.03)	(0.02)	(0.02)	(0.03)	(0.03)
Hestia*36+ m. after	-0.014	-0.015	-0.006	-0.005	0.020	0.020
	(0.03)	(0.03)	(0.01)	(0.01)	(0.03)	(0.03)
Control variables	No	Yes	No	Yes	No	Yes
Adjusted R^2	0.120	0.164	0.259	0.273	0.043	0.102
Individuals	885	849	885	849	885	849

Empirical Results

Unemployment benefits and wages

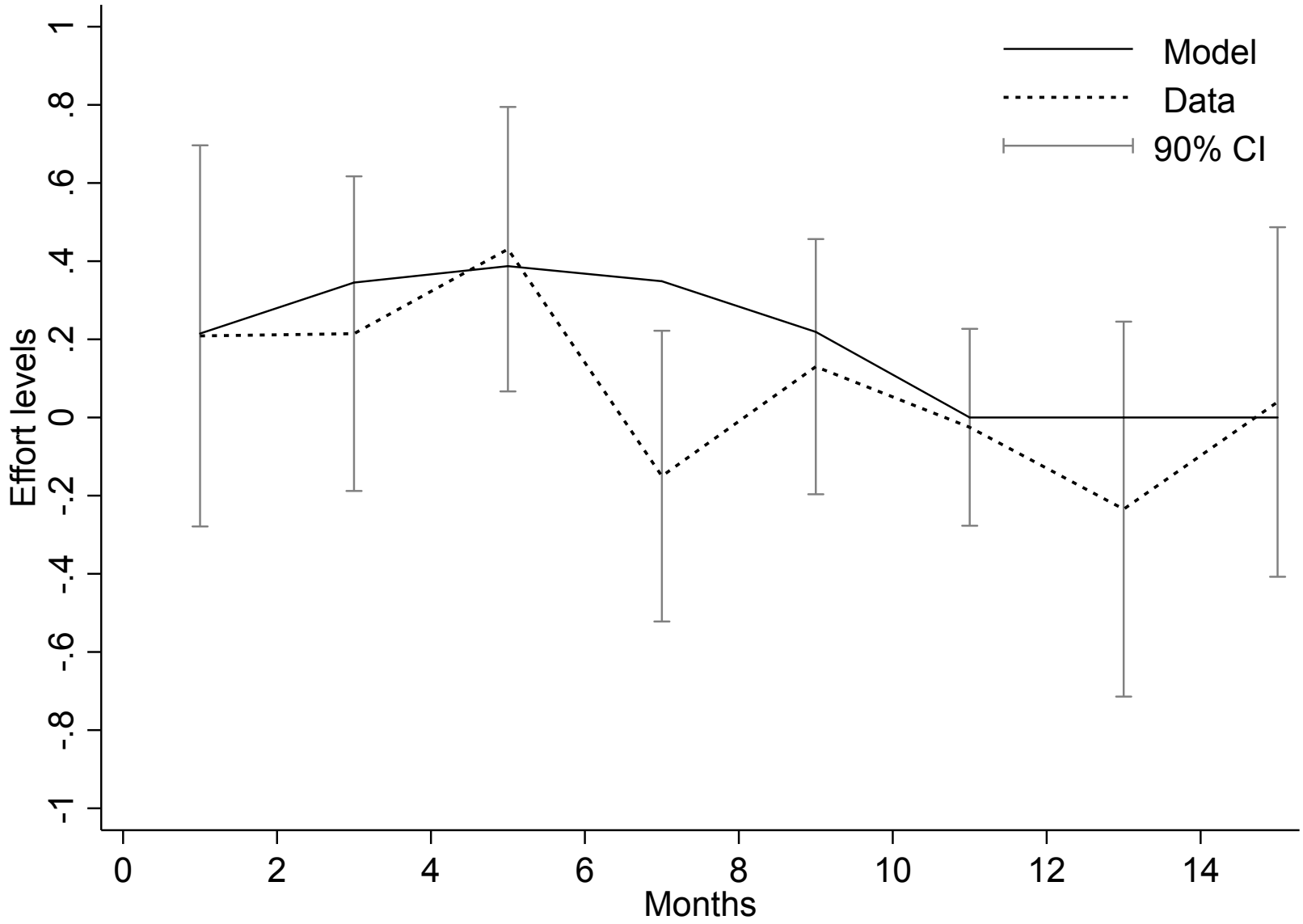
	UB		Work income		Income if employed	
	(1)	(2)	(3)	(4)	(5)	(6)
Randomization						
Hestia*24-11 m. before	4.4	2.9	-125.8	-272.1	-31.8	-279.3
	(45.89)	(49.87)	(217.02)	(207.96)	(237.56)	(203.77)
Hestia*12-1 m. before	-167.7	-206.2	-90.7	-222.0*	33.6	-284.9
	(131.62)	(130.06)	(92.75)	(118.00)	(206.13)	(218.03)
Treatment Effects						
Hestia*0-11 m. after	-329.3**	-352.5**	50.9	-83.8	-27.7	-274.2
	(146.72)	(143.63)	(116.56)	(122.33)	(190.49)	(170.76)
Hestia*12-23 m. after	-18.2	-37.0	-180.5	-301.0*	-89.3	-316.0*
	(68.20)	(69.60)	(172.45)	(157.74)	(187.43)	(163.05)
Hestia*24-35 m. after	181.6**	197.2**	-368.0*	-514.8***	-278.7	-534.4***
	(86.57)	(86.62)	(216.31)	(194.28)	(271.26)	(205.73)
Hestia*36+ m. after	-10.4	-24.2	-114.5	-233.3	-78.7	-252.7
	(51.67)	(56.09)	(242.61)	(216.01)	(336.53)	(250.37)
Control variables	No	Yes	No	Yes	No	Yes
Adjusted R^2	0.172	0.196	0.039	0.130	0.024	0.213
Individuals	885	849	885	849	866	830

Transition analysis

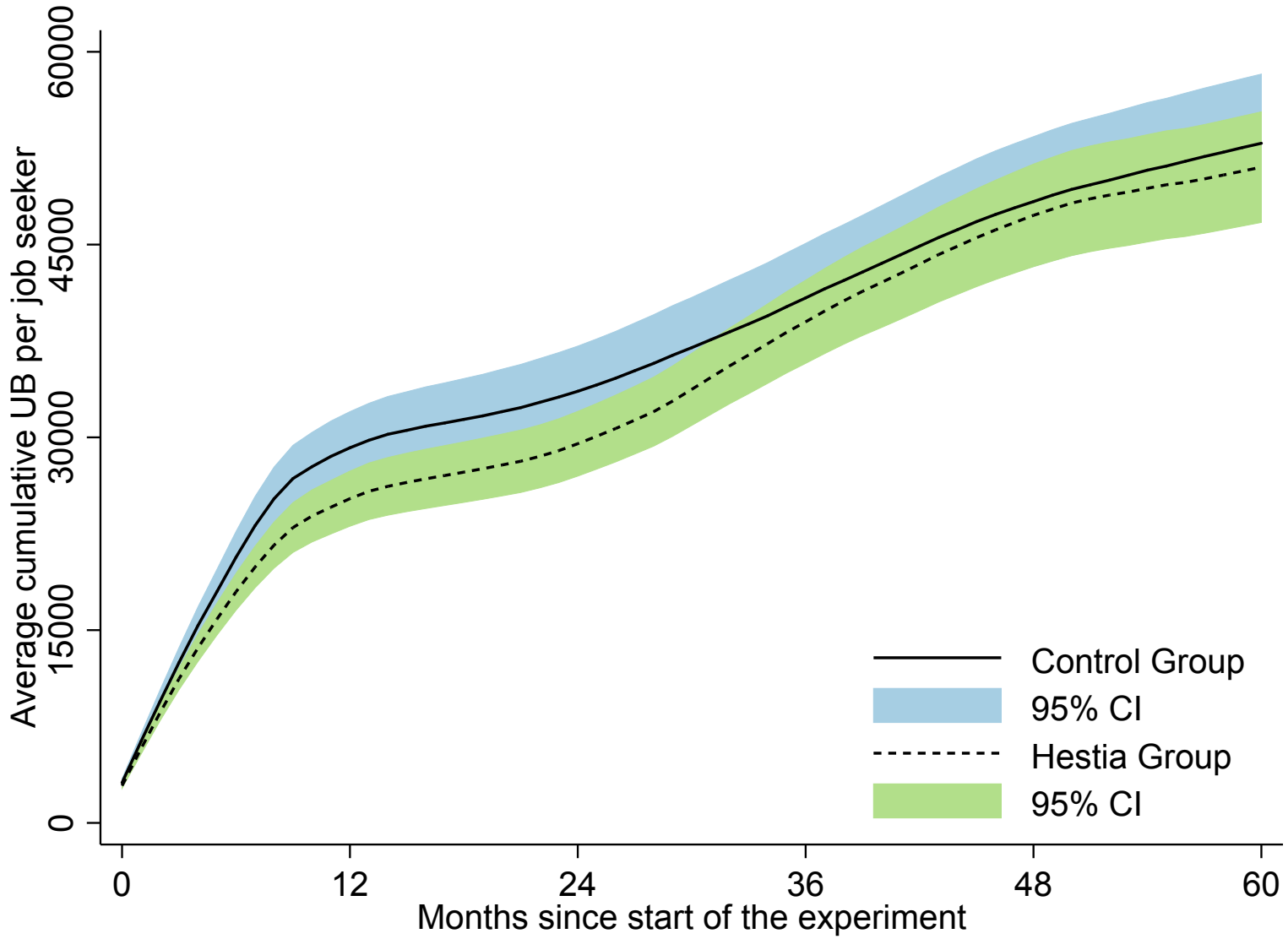
Cox regressions

	(1) To Job		(2) To Unemployment	
Hestia*1-3 months	0.050	(0.23)	0.270*	(0.16)
Hestia*4-6 months	0.475**	(0.19)	-0.036	(0.28)
Hestia*7-9 months	-0.052	(0.18)	-0.280	(0.28)
Hestia*10-12 months	0.018	(0.13)	-0.458**	(0.20)
Hestia*13-15 months	0.019	(0.24)	0.774**	(0.34)
Hestia*16-18 months	-0.066	(0.29)	0.529	(0.45)
Hestia*19-21 months	-1.056*	(0.60)	-0.638	(0.58)
Hestia*22-24 months	-0.494	(0.45)	-0.422	(0.43)
Hestia*25+ months	-0.104	(0.29)	-0.162	(0.19)
Control variables	Yes		Yes	
Subjects	849		719	
Failures	719		566	

Model vs. estimates

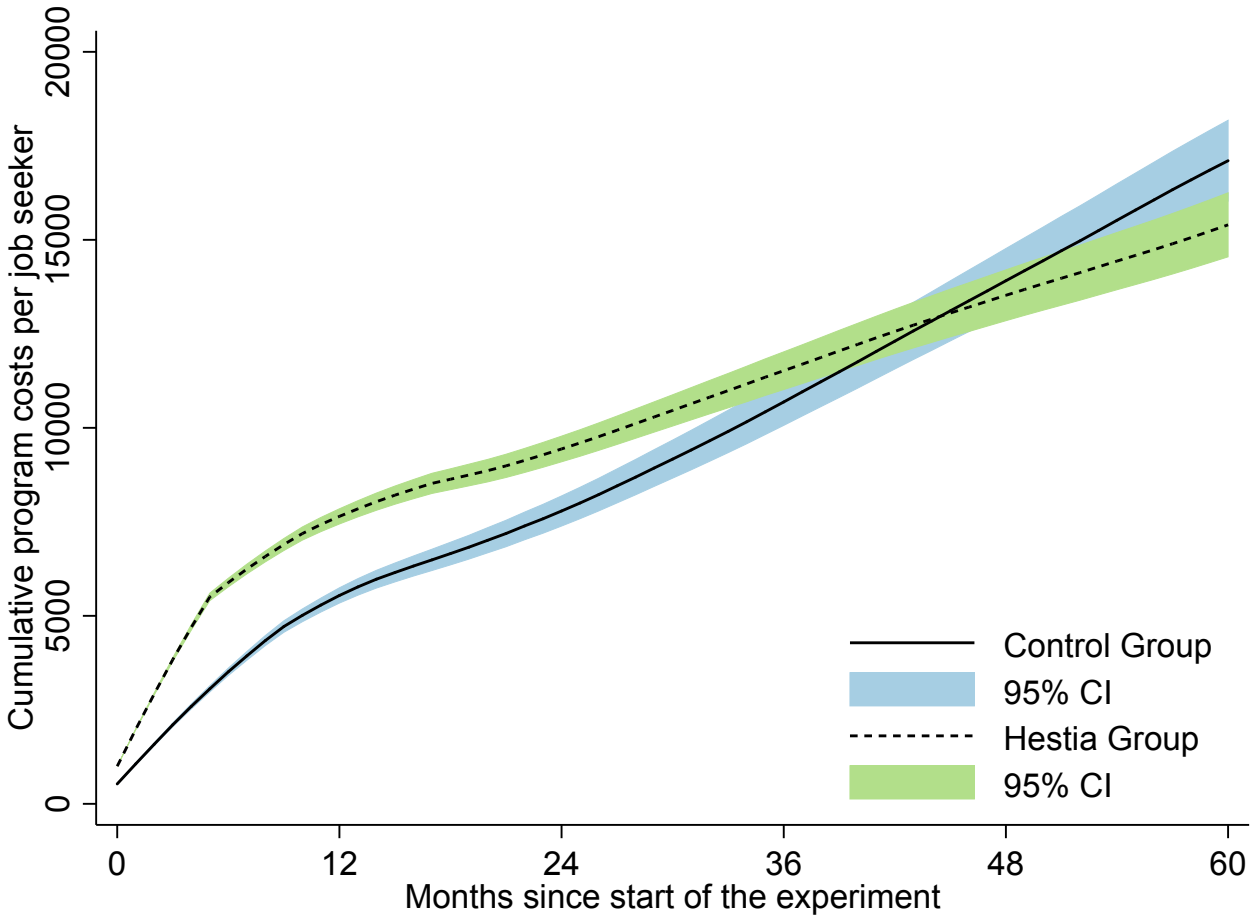


Unemployment benefits



State's perspective: costs

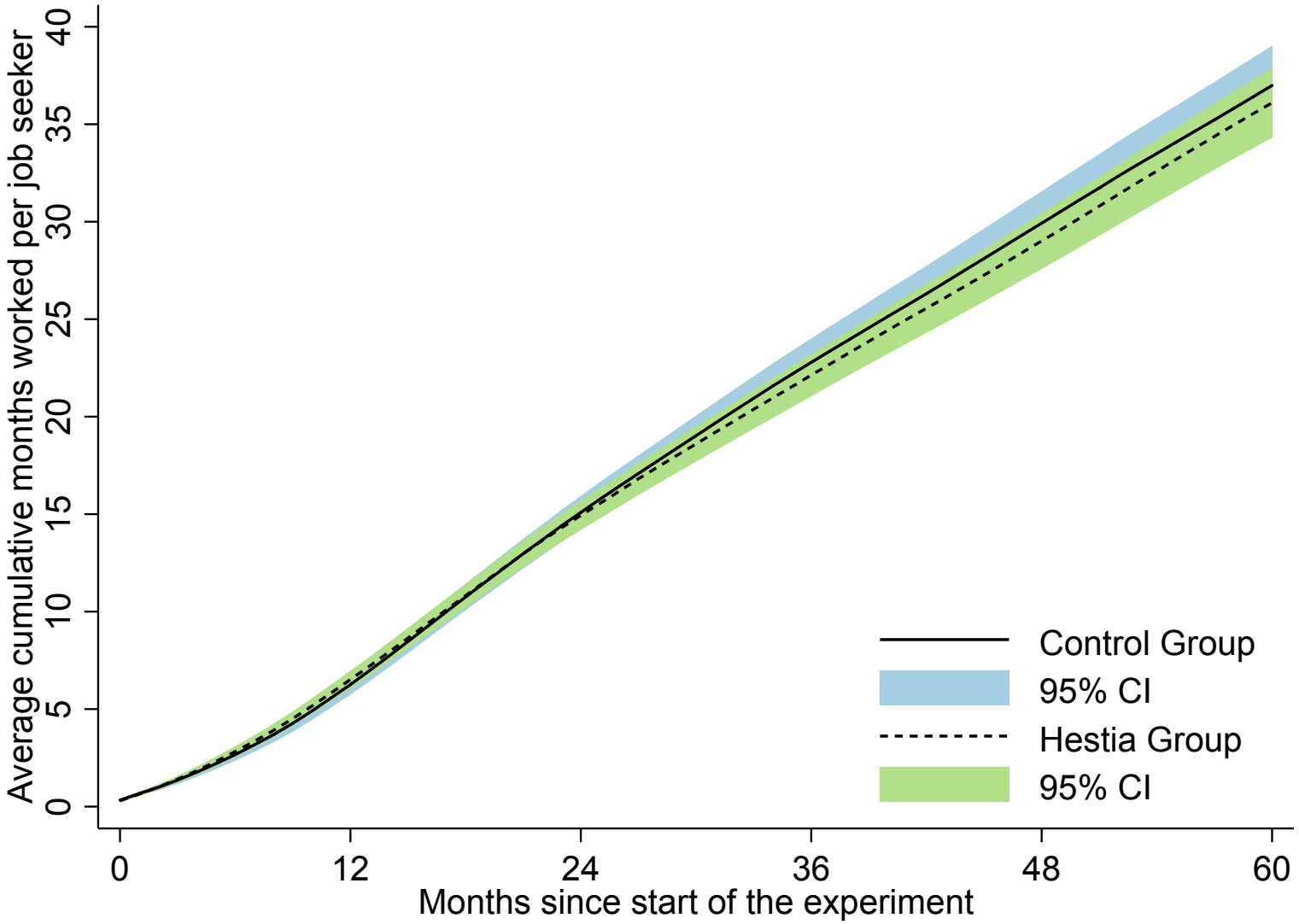
Program costs



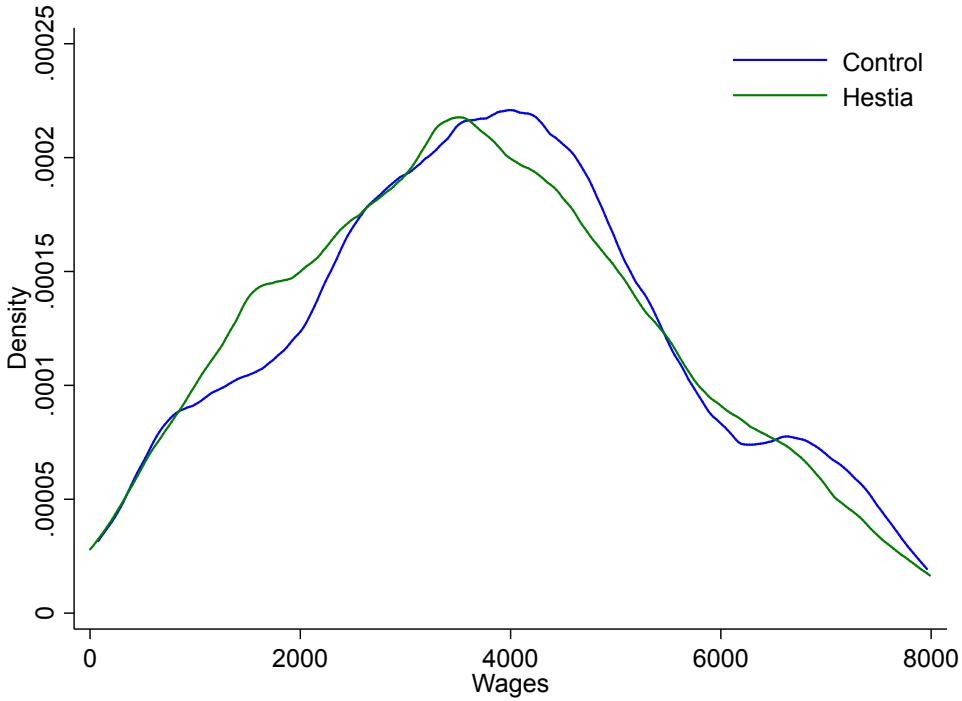
Hestia: 1000 SFr months 1-6, 500 SFr m. 7-18, 350 SFr afterwards

PES: 573 SFr per month

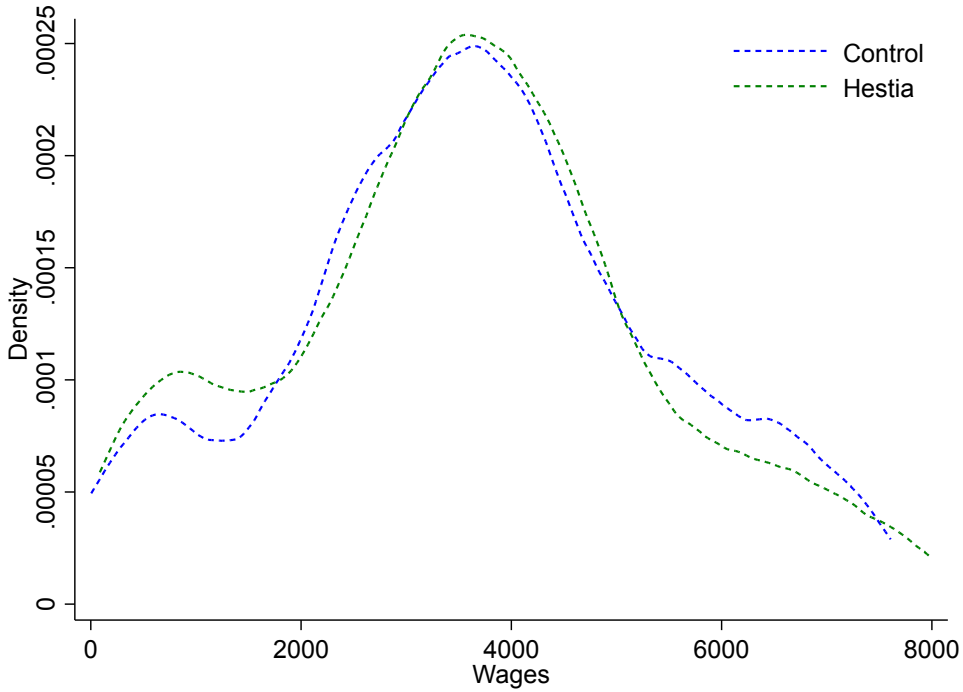
Months worked



Distribution of wages



(a) Last job before experiment



(b) First job after experiment