

## CASE STUDY 3: COUNSELING AND JOB PLACEMENT FOR YOUNG JOBSEEKERS

How to Randomize?



This case study is based on “Do Labor Market Policies have a Displacement Effect? Evidence from a Clustered Random Experiment.” By Bruno Crepon , Esther Duflo, Marc Gurgand, Roland Rathelot, Philippe Zamora, Working Paper, 2011

J-PAL thanks the authors for allowing us to use their paper.

## KEY VOCABULARY

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**Level of Randomization:** the level of observation (E.g. individual, household, school, village) at which treatment and control groups are randomly assigned.

**Spillovers:** individuals in the control group (or those not targeted for direct treatment) are indirectly affected by the treatment. In economics, these are called **externalities**. They can also be referred to as “contamination”. Spillovers can be positive or negative.

## INTRODUCTION

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Professional job counseling services are often discussed as a potential tool for helping educated young people find stable jobs. By connecting employers with job seekers, counseling agencies are thought to smooth the process of finding work and make better matches between employers and employees. Historically, the French government has taken it upon itself to provide these services. But how successful will this strategy be in solving France’s problem of high unemployment—particularly among the youth? Even with these services, a sizable portion of those with college degrees have real difficulty finding a job. Some policymakers have suggested that more intensive forms of career counseling and support, in particular those provided by private agencies, could improve the efficiency of matching between employers and employees. Their proposals would reduce the role of the public sector in providing services for the unemployed, functionally handing over many of these core functions to the private sector.

If the government outsources this function to private employment agencies, will we see an improvement in job placement and job retention? What experimental designs could test the impact of this intervention?

## THE PROBLEM OF CHRONIC UNEMPLOYMENT

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At the time this study, a large proportion of France's younger population was chronically unemployed, despite a generally healthy economy and the presence of public services to facilitate job placement. An estimated 25-32% of university graduates were unable to find stable work a full three years after graduation. While the government provided a safety net for many of the country's unemployed, such as money to cover basic necessities, to be eligible for such benefits a person must have been employed for at least 6 out of the 22 previous months, and must not have left the job out of their own free will. The job seekers selected for this study were generally in their mid-twenties, possessed vocational or university degrees, and had not had stable work for at least 6 months. Failing to meet the basic eligibility requirements, 69 percent of them were not receiving unemployment benefits. For them, the primary service had been counseling and placement services offered by the government.

Until 2005, the French Public agency ANPE (Agence Nationale Pour l'Emploi) was the sole provider of counseling and job placement for the unemployed French youth. The government compelled employers to communicate their vacant job announcements to ANPE, in order to make job placement swifter. However, the employment prospects of recent graduates remained dismal. In 2005, a law was passed that led to the proliferation of many private job placement firms. These private agencies were now allowed to openly propose their counseling and placement services towards any jobseeker.

After the emergence of a private placement market, the government decided to increase the number of partnerships between the public operator and private actors. For this purpose, in 2007, the Ministry of Labor began delegating job placement for young graduates to more intensive counseling programs in private agencies in addition to their regular counseling program in the Public employment agency.

## DETAILS OF THE PROGRAM

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Out of 30,000 unemployed youth identified in 10 regions of France, the government selected roughly 15,000 and assigned them to individual private agencies for counseling. The government did not prescribe a specific counseling structure, but it provided the agencies with incentives up to € 2100 per person counseled for meeting specific outcome targets:

- Payment 1: An eligible job seeker enrolls in their program.
- Payment 2: The job seeker signs a job contract at least 6 months in length.
- Payment 3: The job seeker is still employed 6 months after entering the job.

The government hand-selected the agencies that would be on its shortlist of service providers. Private counseling firms (for-profit and not-for-profit) were required to apply to the government to participate. (Outside of this program, these agencies served any individual jobseeker wishing to pay for their services). Upon winning the bid, they were committing themselves to serve all jobseekers assigned to them by the government under the three-payment incentive structure.

The agencies received the names of job seekers and contacted them to participate in two-stage counseling. The first stage focused on finding long-term employment (lasting at least six months). The second focused on stabilizing them in that new job.

The unemployed youth not selected to participate in the program still had the option of receiving counseling from the public employment agency, Pôle Emploi (or paying for the services of the private agencies on their own).

## ADDRESSING KEY EXPERIMENTAL ISSUES THROUGH EVALUATION DESIGN

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Different randomization strategies may be used to answer different questions. What strategies could be used to

evaluate the following questions? How would you design the study?

### **Discussion Topic 1**

#### *Testing the effectiveness of private counseling*

1. What is the relative effectiveness of private counseling versus regular government counseling? Who would be in the treatment and control groups, and how would they be randomly assigned to these groups?

### **Discussion Topic 2**

#### *Testing the effectiveness of for-profit and not-profit agencies*

1. What is the relative effectiveness of for-profit private agencies versus non-profit private agencies? Who would be in the treatment and control groups, and how would they be randomly assigned to these groups?

## **DISPLACEMENT EFFECTS:**

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Many economists argue that giving intensive job counseling to some individuals simply tips the scale in their favor, but does not increase job placements on net. In other words, it transfers job opportunities from individuals who do not receive counseling to those who do. Under this view, employment is a zero-sum game, and no counseling could increase employment.

In the context of an evaluation, the comparison (or control) group would be indirectly harmed by (their exemption from) the program, and would therefore no longer serve as a valid “counterfactual”. This “negative spillover” could bias our estimate. If so, the experimental designs proposed above will be insufficient to measure the real effect of the program.

### **Discussion Topic 3**

#### *Managing Spillovers*

1. How might spillovers undermine our analysis? In which direction could the bias be, and why?
2. What randomization strategy could you use to address this issue?

### **Discussion Topic 4**

#### *Measuring Spillovers*

1. If you were interested in measuring whether spillovers exist, and specifically the impact of spillovers, how might you design the experiment differently?