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TRADUIRE LA RECHERCHE EN ACTION

Delegating to private operators the counseling of young graduates jobseekers :

Lessons from a French randomized experiment

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Summary

1. The context
2. The « young graduates » program
3. Policy and research questions
4. A randomized evaluation
5. The experimental design
6. The main results
7. Lessons for the future

1. The context

- Global concern regarding the low youth employment rate in France compared to other European countries
- Attention mainly focuses on lower labor market opportunities for unskilled youth
- But in 2006, debates and reports around the future of French universities:
 - Point out the lack of job opportunities for graduates from the universities, especially those majoring in humanities
 - Recommend better information on careers, closer links between universities and firms and counseling services well-designed for this segment of jobseekers

1. The context

- Counseling these young educated people raises specific issues
 - Biased perception about their labor market value
 - Excess supply for some occupations and deficit in others
- Public employment service (PES) may not be the best to address these specific needs
 - E.g. because caseworkers have large portfolios : 120
- Specific needs of young educated unemployed should be better addressed by private operators with reduced portfolio (30 unemployed)

2. The “Young graduates” program

- Program launched by the French Ministry of Labor from August 2007 to June 2009
- Enhanced counseling program for young graduates experiencing long term unemployment
 - Unemployed for at least six months or 12 months of unemployment in the last 18 months
 - Less than 30
 - At least a two-year university degree

2. The “Young graduates” program

- Program content
 - Counseling and placement provided by private operators selected by call for tender on the basis of the services they propose to provide and their prices
 - Operators may be for-profit operators (mainly temporary work agencies) or non-profit ones
 - Program covers 235 local employment agencies in 10 administrative regions
 - 10 000 young graduates in the program

2. The “Young graduates” program

- The program breaks down into two main phases :
 - Phase 1: placing jobseekers in employment.
 - During the first 6 months, the operator counsels the jobseeker and helps to find a durable job
 - Phase 2: stabilizing the former jobseeker in his job.
 - During the first 6 months of employment, the youth is followed and advised by the operator
- The idea is that a 6 month job is a « stepping » stone for a durable employment insertion

2. The “Young graduates” program

- Private operators (PO) have financial incentives to place the young graduates in a durable job
- Paid in three parts :
 - 25% if the young graduate enters the program (not mandatory)
 - 40% if he finds a job within 6 months on a durable contract (of at least 6 month duration)
 - 35% if the youth is still employed after 6 months
- Altogether payment ranges from 1600 to 2100 € depending on operators

3. Policy/Research questions

1. Is intensive counseling efficient?

- Does program participation increase the transition to 6 month employment within 6 months?

=> *Not a small question :*

- Reducing the portfolio size from 120 to 30 for some specific targeted unemployed has heavy cost implications

2. Does program participation increase the transition to durable employment in the short or long run?

- Is there a “stepping stone” effect?

3. Policy/Research questions

3. What is the equilibrium effect of the program?

- Does intensive counseling create more jobs in the economy or does it only help the counseled young graduates at the expense of the others?

(‘displacement effect’: employment rate of non treated is lower because of the experiment)

=> *Equilibrium effect is a major issue*

- Program is expensive because it is intensive
- Risk of overestimation of the real value of the program if it just rotates people in the queue to access employment

4. A randomized evaluation

- The ‘young graduates’ program incorporates most of the major innovative options of recent employment policies in France
 - A new target: young skilled unemployed
 - A new content: intensive counseling with little portfolio
 - A new provider: private operators

⇒ *Specific need for evaluation*

- Shares the same objective as many public employment policies
 - Durable integration on the labor market through a stepping stone effect

⇒ *Also useful to be evaluated*

4. A randomized evaluation

⇒ *Randomization appears particularly well fitted for counseling program evaluations*

- Difficult to model counseling services with usual econometric methods
- Randomization is easy to understand (although sometimes debated on ethical grounds)
- Robust for controlling selection bias
- Easy to implement when rationing on the total number of persons that can benefit from the program

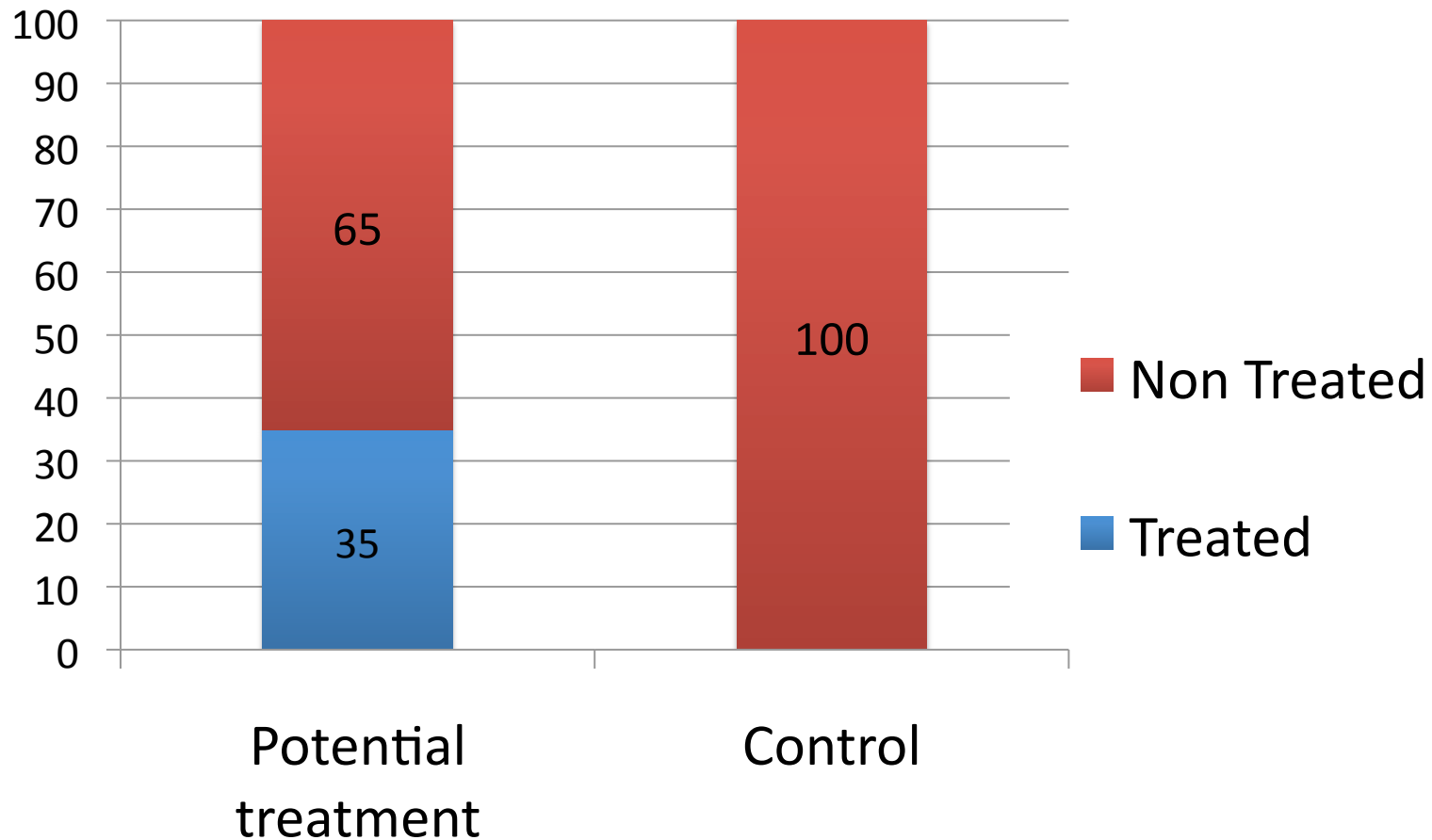
4. A randomized evaluation

- Randomization appeared as a good opportunity:
 - to confirm on a new population the evidence on the effects of reinforced counseling on long term jobseekers derived from a previous randomized evaluation (*OPP/CVE*)
 - to address some key policy questions not covered by the previous evaluation: equilibrium effects
- ... without excessive operational constraints for EPS
=> randomized assignment process could be implemented without disturbing the work of EPS caseworkers
- Evaluation performed by a J-Pal/CREST team and the Statistical Department of the Ministry of Labor

5. The experimental design: *general principles*

- Young graduates are randomly assigned to “potential treatment” group and a control group
- Young graduates in the potential treatment are proposed to participate in the treatment
 - Can refuse to enter the treatment
- Young people in the control are denied

5. The experimental design: *the standard randomization scheme*



5. The experimental design: *evaluation in the standard case*

- Even if entry in the program is not mandatory, evaluation is possible :
 - Compare potential treatment and control
 - Divide by share of treatment in potential treatment
- However major problem: ignores the equilibrium effect
 - Not possible to measure it
 - Potentially invalidates the estimation :
 - Key assumption is that non treated are not affected by the experiment!
- Need to adapt the design

5. The experimental design: *allowing for displacement effects*

- A two-level randomization:
 - First randomization at the Local Employment Agencies (LEA) level
 - Second randomization within each LEA at the jobseeker level
- First step:
 - Construct homogeneous sets of quintuplet of LEA (235 LEA) based on youth employment characteristics
 - ⇒ Assume LEA are independent local labor market
 - Assign randomly within quintuplet an assignment rate
 - Areas with 0% : super control group
 - Areas with 25% : light treatment group
 - Areas with 50%, 75%, 100% of people

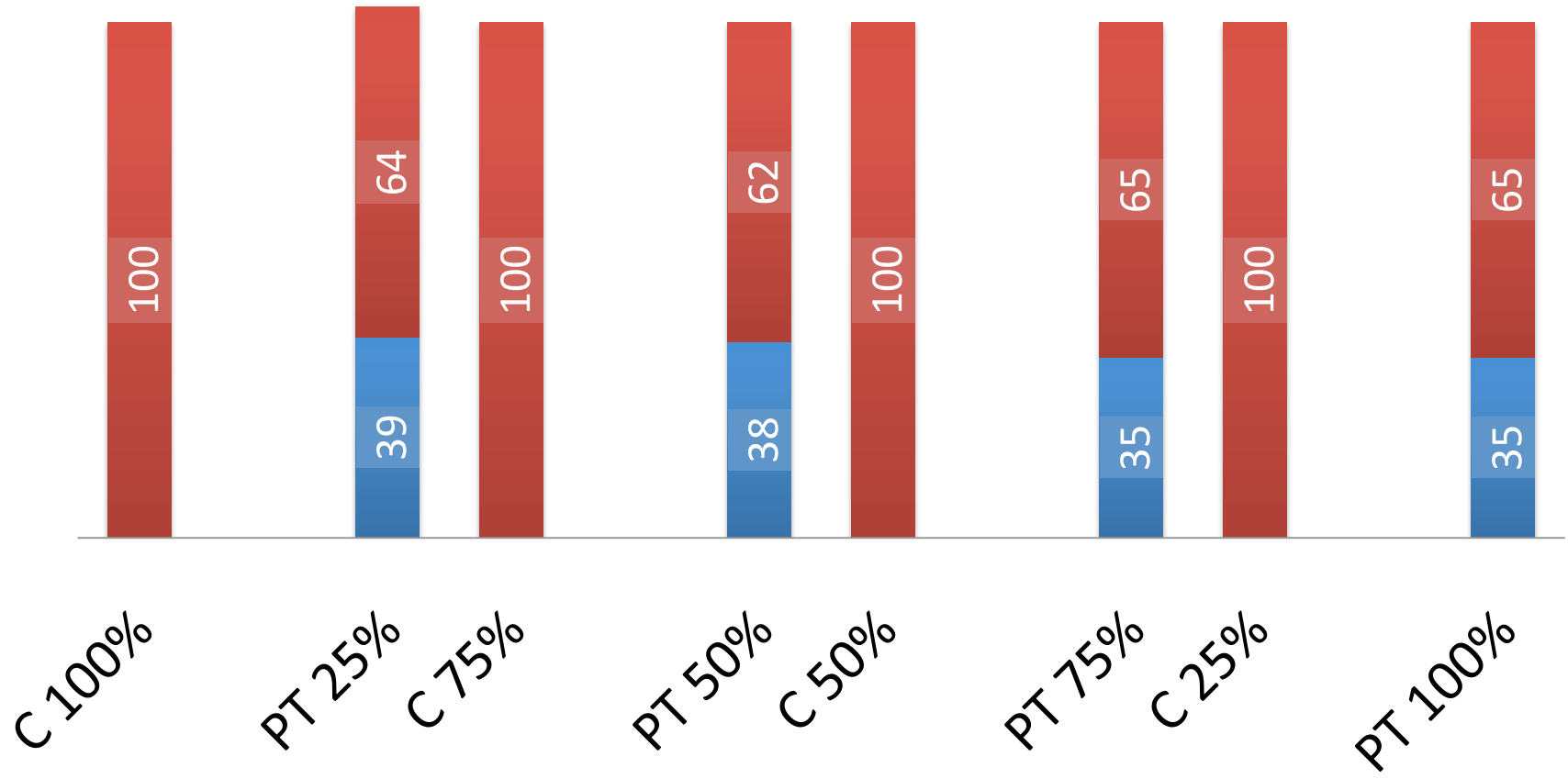
5. The experimental design:

Evaluation with the two levels design

- Measure of the equilibrium effect
 - Comparison of controls in 25%, 50% and 75% areas and Super control
- Measure of the true effect of the program
 - Comparison of potential treatment in 25%, 50%, 75% and 100% areas and Super control

■ Non Treated

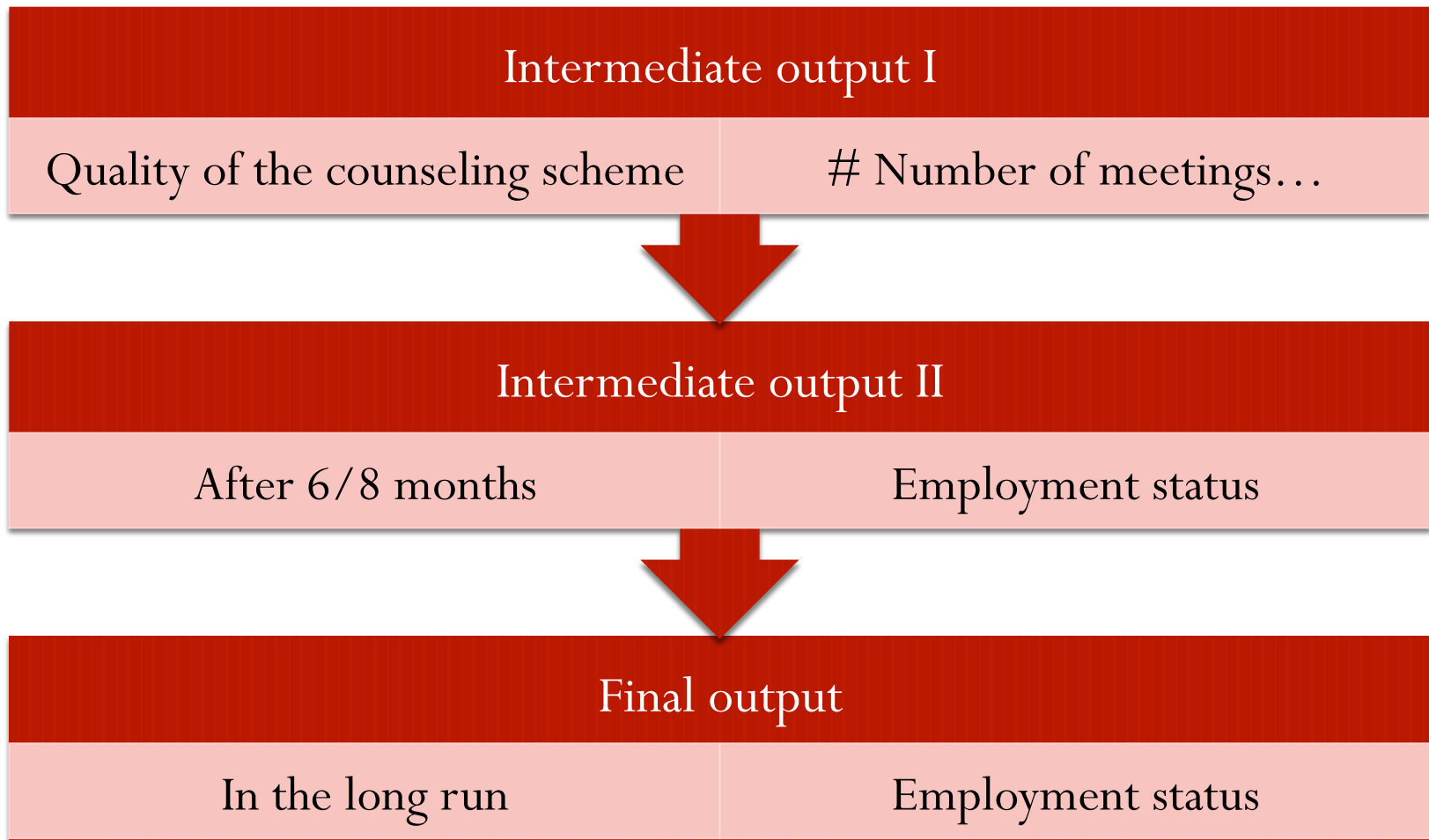
■ Treated



Implementing the evaluation

- A straightforward implementation:
 - Before running the experiment, research team defines the quintuplets
 - Each month, PES identifies in its register new eligible young graduates and sends the file to the research team
 - Research team performs the 2nd step randomization (50% assigned to treatment)
 - Sends to the private operator the list of eligible young people assigned to treatment
 - Private operators contact the youth
 - Some enter the treatment
 - Other don't : followed by PES caseworkers

Data to collect



Data: 2 sets of administrative data

- Public employment agency register
 - Individual characteristics
 - Counseling : good record of meetings but only information for the non treated
 - Poor quality of employment data: some unemployed leave the PES without reporting they found a job
 - No information on the type of job and its duration
- Private operators files: only for the take-up rate

=> Very important to get the same information on everybody

Data: midline and endline surveys

- Four waves of survey at different time period
 - 8 months (counseling scheme, employment), 12 and 16 months (keep contact), 20 months (final survey)
- Trimodal survey: mail, internet and phone; many chances to answer - *response rate 80%*
 - 15 minutes for the first waves ; 5 minutes for the others
- Only key questions: employment or not, job quality (wage, contract, working time...), counseling quality, family situation, diploma, national origin

The evaluation calendar

Pre-evaluation
period

- Program design by French Ministry of Labor, call for tender, selection of operators

March to July 07

- Experimental design, setting up operational process

August 07 to
November 08

- 14 monthly waves – field visits - committees

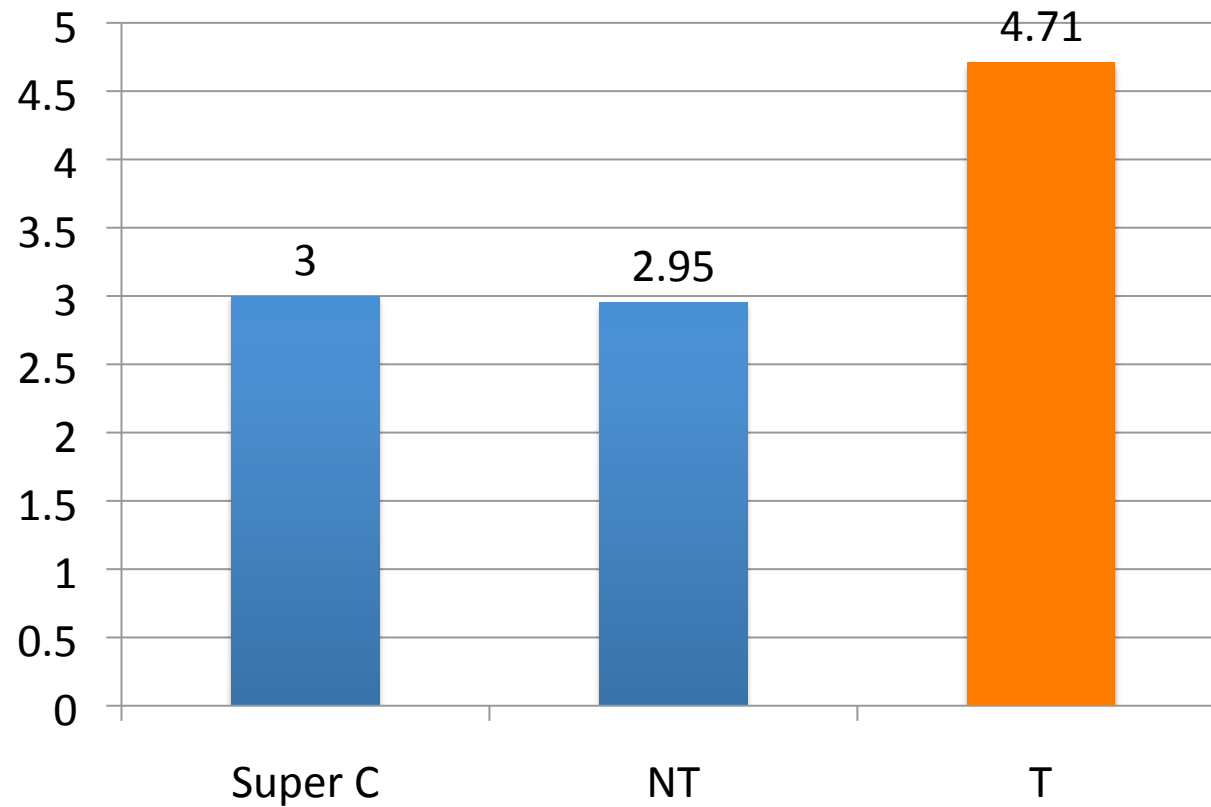
Up to July 10

- Surveys

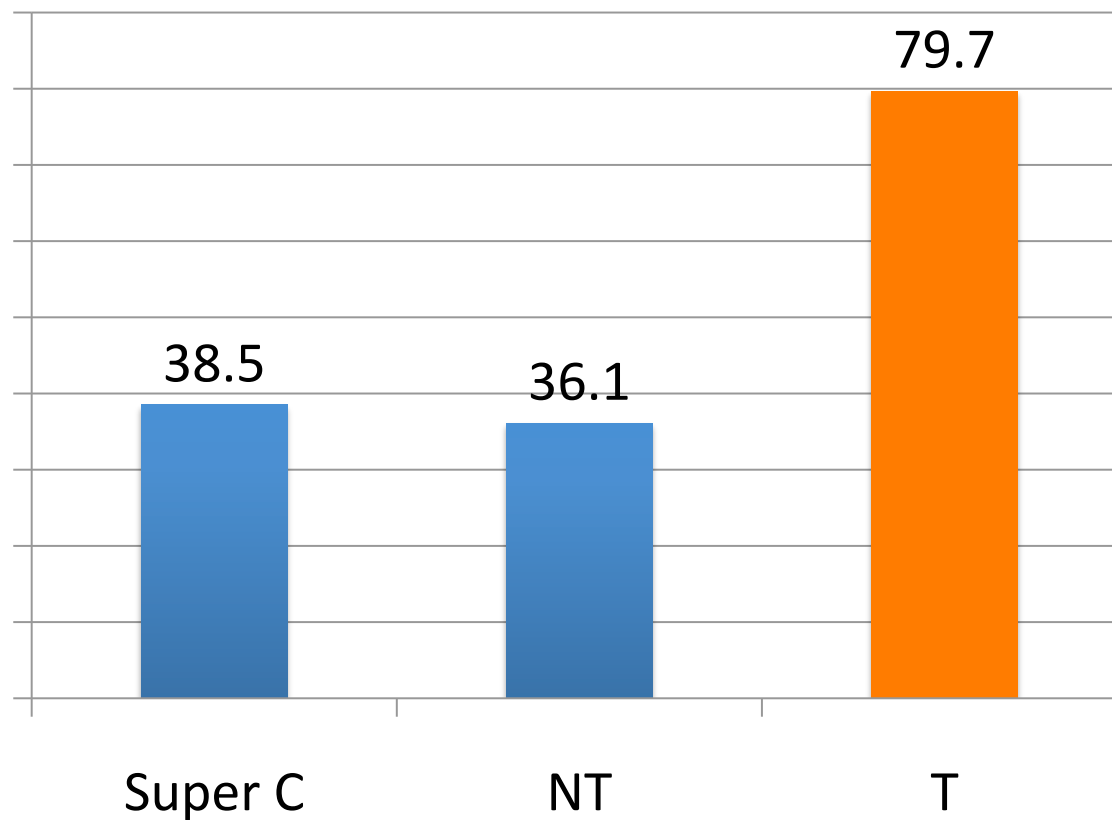
Up to now

- Analysis, results

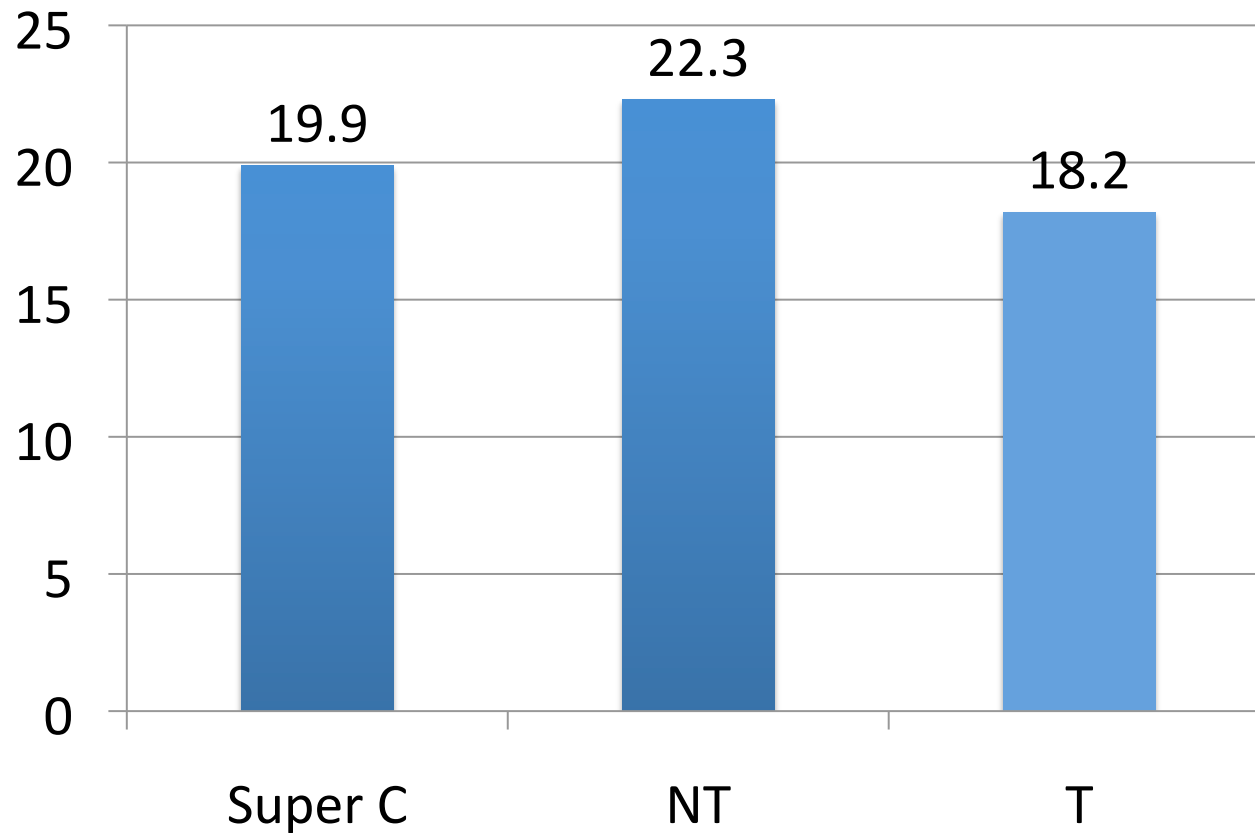
Main results : Number of meetings



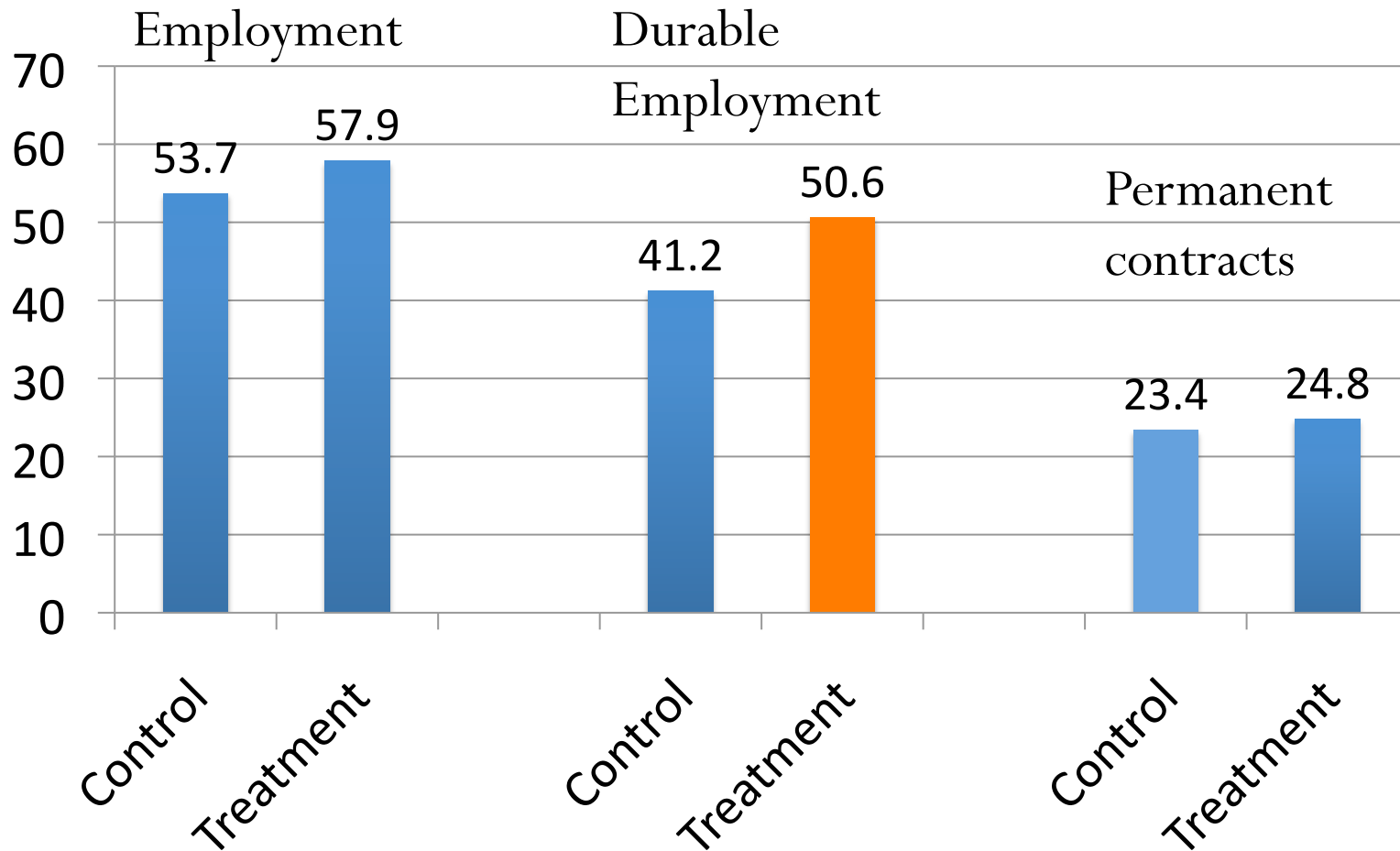
Probability of Human Capital Services



Probability of match with firm

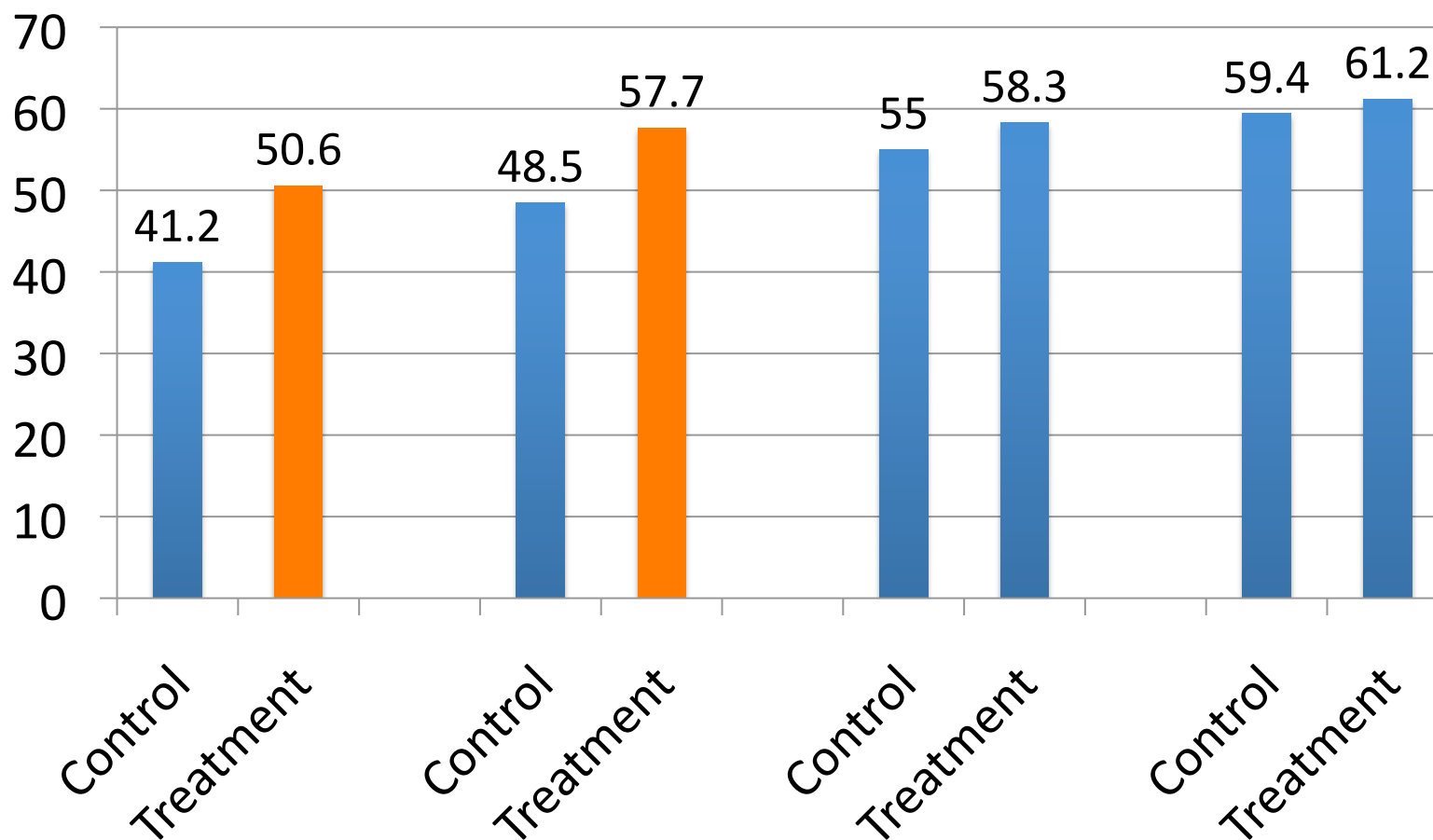


Employment outcomes at 8 months



A stepping stone effect ?

Durable employment at 8, 12, 16, 20 months



6. The main results

- Positive effects at 8 and 12 months on durable employment (at least 6 months)
 - No effect of the program on the global employment rate
 - No evidence of stepping stone effects:
 - No increase in the durable employment in the long run
 - Programs just speed up the return to employment
- => Results fit with what PO are paid for: asked for a 6 months contract with incentives to do that

6. The main results

- No significant displacement effect
 - However: issue of power. Possible that displacement effect exist but small.
 - Global effect : run a regression of employment status on the share of people assigned to treatment in the LEA
 - Large significant effect
 - Displacement probably not the first order issue

7. Lessons for the future

- Private Operators do respond to financial incentives
 - => Confirms previous results of another experiment (OPP/CVE)
 - => Important to ask for the right thing.
 - No stepping stone effect
 - Is a 6 month contract a relevant requirement?
 - Other requirements about the quality of the match? On which observable variables?
 - Probably a lot of jobs without potential of experience accumulation. Could a recommendation letter at the end of the job be useful?
- ⇒ *What should be the optimal contract?*

7. Lessons for the future

- Heterogeneity of the impact: higher in areas with for-profit operators
 - what makes the difference: methods? resources ? Does previous local experience matter?

=> necessary to better understand what makes the added-value of intensive counseling:

Activation of human capital? Threat effects? Increase in the pool of vacancies offered to jobseekers?

7. Lessons for the future

- Displacement effects do not appear as a major concern for this program:
 - A new and important result...
 - ...that has to be confirmed for other programs
 - Cost/benefit analysis:
 - Not investigated at this stage
 - Difficult question (requires much information ; methodological issue)
 - But important in the public debate
- ⇒ Evaluation to be pursued when new data sets available