

# JOB PLACEMENT AND DISPLACEMENT

*Job counseling for unemployed young graduates helps them find work sooner, but does not increase long-term employment rates. The short-term gains in employment among those who receive counseling do not displace youth who were not given counseling from jobs.*



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. But the way in which job counseling impacts employment rates has not been rigorously tested, and it is possible that giving intensive job counseling to some simply transfers job opportunities from individuals who do not receive counseling to those who do. If this is the case, then it is possible that counseling programs could have no significant impact on overall employment rates. **How do intensive job counseling services affect employment rates among those who receive counseling and in the overall job market?**

An evaluation by J-PAL affiliated professors Bruno Crépon, Esther Duflo, Marc Gurgand, Roland Rathelot, and Philippe

Zamora examined the short- and long-run impacts of job counseling among those who were, and were not, given such counseling. They evaluated a government program that contracted with private job counseling firms which helped young people find jobs and stay employed. In ten regions throughout France, young job seekers were randomly selected to receive this intensive counseling from a private agency. Researchers varied the proportion of job seekers receiving counseling in different communities to examine whether increasing the number of counseled individuals within a community displaced people who did not receive counseling from finding jobs.

- **Individuals who received intensive counseling were more likely to be employed in the short term than their peers who did not receive counseling, but over the long term these differences disappeared.** Twelve months after the program started, youth who were not offered counseling had caught up in employment rates.
- **The type of agency providing counseling and the structure of the monetary incentives they received significantly affected outcomes among job seekers.** For-profit agencies had more success at finding employment for job seekers. But because firms were incentivized to find employment lasting at least six months, they focused on jobs which just met that condition, but did not necessarily exceed it.
- **Increased employment among counseled individuals did not come at the expense of those who were not given counseling.** If counseling has a displacement effect, then researchers should have seen higher unemployment among people who did not receive counseling in communities where counseling was offered. But while these individuals had lower short-term employment rates than people who received counseling, they were no worse off than job seekers in communities where counseling was not offered at all.

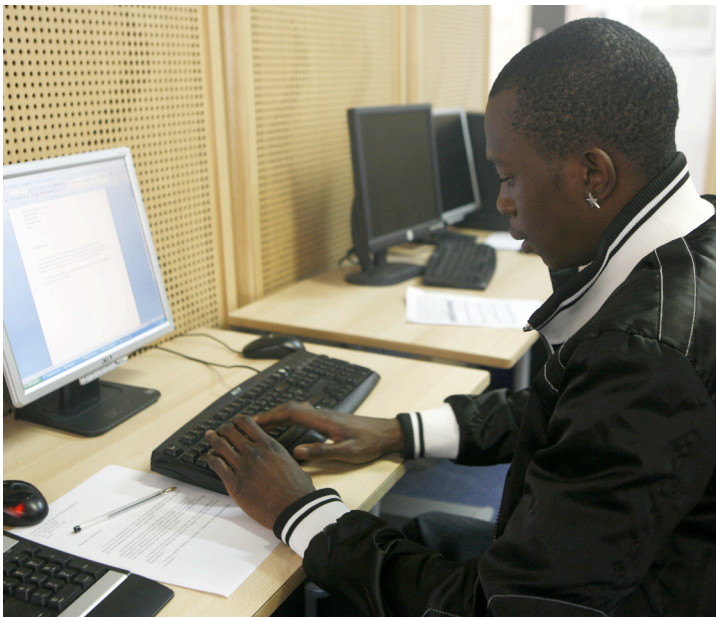
## EVALUATION SETTING

France has a large population of long-term job seekers among younger generations, despite the presence of public and private job-placement agencies.

An estimated 25-32% of university graduates are unable to find stable work three years after graduation, including 9% of graduates from the elite “Grandes Écoles.” These young graduates may not be served by existing resources like unemployment benefits, because they lack a sufficient employment history. In 2007, the Ministry of Labor began delegating job placement for young graduates to private agencies rather than the French public employment agency.



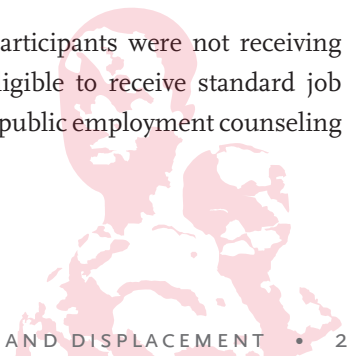
In 10 regions throughout France, more than 30,000 unemployed youth were selected to be part of a new experimental program in which some job seekers received intensive job counseling from private agencies.



Individuals assigned to the treatment group were put in contact with a private agency for job counseling, while those in the comparison group continued to have the option of receiving counseling from the public employment agency, Pôle Emploi. Researchers followed treatment and comparison youth for almost 2 years, keeping track of whether or not they participated in intensive counseling, how many times they met with their counselor, what type of support they received, and their employment status.

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.

Because the job seekers were young and had spent very little time working, 69% of participants were not receiving unemployment benefits. However, both treatment and comparison individuals were eligible to receive standard job counseling through Pôle Emploi, so this evaluation measures the impact of supplementing public employment counseling with more intensive counseling from a private provider.



## DETAILS OF THE EVALUATION

### INTENSIVE JOB COUNSELING WITH PRIVATE FIRMS

Private counseling firms (for-profit and non-profit) in 235 communities received the names of job seekers in the treatment group and contacted them to invite them to participate in two-stage counseling. The first stage focused on finding long-term employment (lasting at least six months) and the second focused on stabilizing them in that new job.

The government did not proscribe 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.

### VARIATION IN THE PROPORTION RECEIVING INTENSIVE COUNSELING

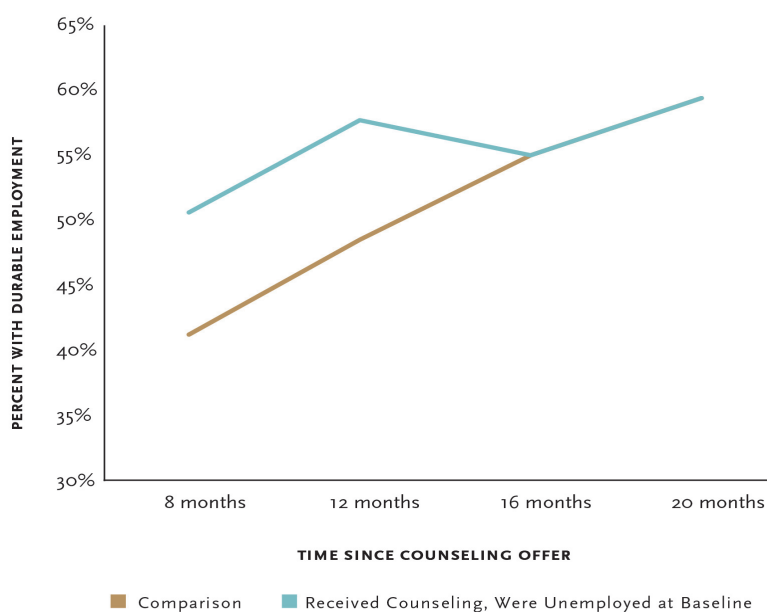
Researchers varied the proportion of eligible youth receiving counseling in a community from 0%, 25%, 50%, 75%, up to 100% to examine the spillover effects of having more or fewer people receiving counseling in a local job market. If job counseling for some displaces others from jobs, then one would expect to see higher unemployment among youth who were not offered counseling in communities where a higher proportion of youth were counseled.

## RESULTS

**Around 35% of all of those randomly chosen to be offered counseling enrolled in counseling with a private agency.**

This low take-up may be because nearly 60% of participants already had some form of temporary employment when they were assigned to receive counseling. Higher take-up was concentrated among people who were not working part-time, had less-advanced degrees, and were receiving government unemployment benefits.

FIGURE 1: EMPLOYMENT RATES OVER TIME  
JOB SEEKERS WHO DID AND DID NOT RECEIVE COUNSELING



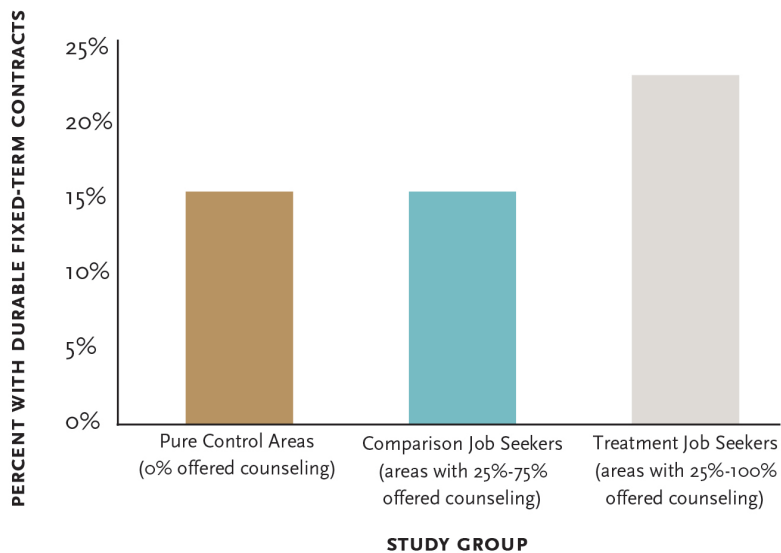
**Individuals who received intensive counseling found work more quickly, but there was no significant increase in their long-term employment rates.**

After eight months, having received intensive counseling increased the chances that an individual would find long-term employment, and these effects were largest among people who were not working part-time at baseline. Previously unemployed job seekers were 3.5 percentage points more likely to be employed, but after 20 months job seekers who received intensive counseling were no more likely to be employed than those who were not offered counseling (see Figure 1).

Job-placement success was higher among for-profit agencies than among non-profit ones, and this success closely tracked the outcomes for which the government offered monetary incentives.

The largest and most significant long-term impacts on employment status were seen among individuals who were assigned to for-profit agencies, and eventually found fixed-term contracts of more than six months. This suggests that private operators focused on the contracts that just qualified the conditions of their incentives, but not on longer ones.

FIGURE 2: EMPLOYMENT RATES BY STUDY GROUP



Employment gains among those who received intensive counseling did not displace people who were not offered this service from finding jobs.

Individuals who were not offered intensive counseling in areas where a larger proportion of the population received this service were no less likely to find a job (see Figure 2). This suggests that, rather than crowding out people who did not receive counseling from the pool of available jobs, employment counseling can actually increase the efficiency of job searches.

## POLICY LESSONS

- **Job counseling helped young graduates find work more quickly, but individuals who were offered counseling did not have higher long-term employment rates than their peers who were not offered counseling.** After 8 months, individuals who received counseling were 3.5 percentage points more likely to be employed, but after 20 months their employment rates were not significantly different from the comparison group.
- **Private job counseling firms responded strongly to incentives and directed their efforts to meet—but not necessarily exceed—the incentivized outcomes.** In a decentralized, unstructured program such as the one evaluated here, the design of the incentives can significantly impact employment outcomes.
- **Offering some people intensive job counseling did not create job displacement for those who did not receive the service.** This suggests that counseling does not merely transfer jobs from some individuals to others, but actually increases the efficiency of job searches.

## FURTHER READING

Crépon, B., Duflo, E., Gurgand, M., Rathelot, R., & Zamora, P. 2011. “Do Labor Market Policies Have a Displacement Effect? Evidence from a Clustered Random Experiment.” Working Paper.

