NOT THE RIGHT JOB, BUT A JOB RIGHT NOW: Programmes to help long-term unemployed find work get them off the government payroll, but may backfire

A government scheme to help Geneva's long-term unemployed find a job worked in the short term, but after five years participants were more likely to be unemployed than their peers who found a job on their own. What's more, even if they were still in a job, after three years, they were earning less than similar unemployed people who helped themselves find work.

These are among the conclusions of research by Lionel Cottier, Pierre Kempeneers, Yves Flückiger and Rafael Lalive, to be presented at the annual congress of the European Economic Association in Geneva in August 2016. Their study evaluates a pilot project in 2006-07 to give a group of Geneva's long-term unemployed additional job search assistance. The employment profiles of 890 jobseekers were combined with social security data collected before and after the programme.

For policy-makers, the good news is that assisted individuals had a four percentage point higher employment rate in the year after the start of the experiment, which translated into a 20% decrease in unemployment benefits claimed (which was, on its own, enough to finance the programme).

But the bad news is that these gains did not last: a higher proportion of the unemployed who were given help left their jobs soon afterwards, and also a higher proportion after year one. After three years, the ones who remained in work earned 10-17% less than those who had found a job unaided; and after five years, there was no difference in the outcomes for those who were assisted compared to those who were not.

‘Our results suggest that job-seekers were placed as fast as possible at the expense of their suitability to the position’, the authors conclude.

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Long-term evaluation of a pilot study in Geneva suggests that intensive job search assistance improves job-seekers’ short-run prospects but is detrimental in the long run.

Long-term unemployment is a pervasive problem in today’s rapidly evolving economies. As technology has radically changed the professional activity of most people in the last decades, individuals whose skills become obsolete are left behind and those who become unemployed see their skills depreciate even faster. The role of active labour market policies as a tool to correct market failures and improve workers’ welfare thus becomes salient.

This study evaluates a randomised controlled experiment on job search assistance for long-term job-seekers, which was conducted in the Canton of Geneva, Switzerland, in 2006-07. The goal was to determine whether additional job search assistance would lower the comparatively high level of long-term unemployment in Geneva (7.1% in April 2006, compared with 3.5% in Switzerland).

The researchers study the work trajectories of about 890 individuals, in conjunction with social security data that cover two years before and five after the experiment. This makes it possible to understand the ex ante professional trajectories of these job-
seekers and to evaluate the long-term impacts of intensive job search assistance compared with the standard placement track.

Compared with job-seekers who did not receive additional assistance, assisted individuals enjoyed a four percentage point higher employment rate in the year that followed the start of the experiment. This difference can be explained by a higher rate of unemployment to job transitions, and translated into a 20% decrease in unemployment benefits claimed.

But the initial employment gain dissipated and even turned negative two years after the start of the experiment. Employment exits were high immediately after starting a new job and after finishing the first year on the job. In addition, assisted job-seekers earned between 10% and 17% less than non-assisted individuals three years after the experiment.

These results suggest that job-seekers were placed as fast as possible at the expense of their suitability to the position. Over a five-year horizon, intensive job assistance did not yield different results compared to the standard placement track.

In addition to these results, the authors conduct a cost-benefit analysis to evaluate the aggregate effects of the pilot study. They compare the costs of running the job search assistance scheme to those of the standard placement track, as well as their benefits, which can be measured in terms of unemployment benefits saved. The study finds that despite its high monitoring costs, additional job search assistance was self-financed through a decline in unemployment benefits claimed.

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Does outsourcing job search Assistance help job-seekers find and keep jobs?

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