

“Carrots, No Stick, No Driver: The Employment Impact of Job Search Assistance in a Regime with Minimal Monitoring and Sanction”.

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Introduction

Assessing the effectiveness of active labour market programmes (ALMPs) there is a considerable literature in the field from which to draw. A key element is an evaluation of job search assistance (JSA). This usually refers to the part of the labour market activation programme where claimants are given advice on job searches, preparing job applications, or directed to suitable training options. Many of the current studies rely on administrative data to evaluate the impact of compulsory JSA provided alongside monitoring and sanction actions but little is known about the value of JSA itself. In this study for the Republic of Ireland, evidence of the impact of JSA is provided in a context where it was used as the core labour market activation tool with token monitoring and no sanctions. This provides an opportunity to separate the impact of JSA on movements from unemployment to employment. Unfortunately, some claimants eligible for activation were overlooked which then provided a group against which the impact of JSA could be measured (our control group). Overall, the results show that individuals in receipt of JSA were less likely to have moved from unemployment to employment compared to those who did not receive JSA.

Literature

Job Search Assistance (JSA) refers to a number of measures which intend to increase the effectiveness of the job search process. JSA usually consists of measures such as job search courses, vocational guidance, counselling, the establishment of individual action plans and referrals to vacant jobs. The impact of JSA on employment depended on three principal factors: (i) the appropriate JSA measures relative to clients’ need (ii) the effectiveness of the JSA measures used to assimilate job seekers into the labour market, and (iii) the nature of the external labour market.

It has been shown that JSA is a cost-effective active labour market programme (ALMP) (Martin 2000; Kluge 2006). However, it is difficult to separate out the various elements of the JSA and assess their impact. A French study by Crépon et al. (2005) found that on their own, JSA measures can have positive employment effects. Other evaluations found

that JSA measures together with increased monitoring of job search behaviour and sanctions have been successful in getting unemployed workers back to work.¹

It should be noted that there is some disagreement in the literature over the ideal combination of assistance, monitoring and sanctions that is required. It appears that a combination of all elements is needed to produce benefits for both unemployed workers and society as a whole (Martin 2000; OECD 2005 and 2006; Kluve 2006).

The use of activation measures began in September 1998 when the 'Preventative Strategy' was introduced under the National Employment Action Plan (NEAP). Targeted groups on either Jobseeker's Allowance (JA) or Jobseeker's Benefit (JB) were subject to an intervention after a period of 13 weeks on the unemployment Live Register. After this point, job seekers were to be referred to the then national training and employment authority, FÁS, for an activation interview. The activation interview was designed to start a process whereby FÁS assisted the unemployed individuals to reintegrate into the labour market through intensive counselling, guidance and engagement, the establishment of actions plans, the provision of employment and/or training programmes, work placement and/or job offers.

Although attendance at the initial FÁS interview was quasi-compulsory any subsequent activation measures were voluntary suggesting that refusal to engage beyond the interview stage or actively seek employment would not be met with sanctions. It was argued by Grubb et al. (2009, 85) that sanction rates in Ireland "were either the lowest or close to the lowest in international comparative terms in three areas: sanctions for voluntary job leaving, refusal of work and refusal of an ALMP place."

Data

The data includes all individuals in the Republic of Ireland who made a claim for unemployment benefit over a 13-week period between September and December 2006. Efforts were made to issue a questionnaire to all claimants, at the beginning of their unemployment benefit claim, that collected additional data on key labour market variables. This information was matched with weekly unemployment Live Register files for the period September 2006 through to July 2008 in order to ascertain: (i) the point at which unemployment benefit claims were approved, (ii) the point at which claims were closed and (iii) the reason that a claim was closed. Additional background and activation-related information on the claimants from the unemployment Live Register files was included. These data were then merged with FÁS's customer events files in order to determine the point at which individuals received: (i) a JSA referral letter, (ii) an actual interview and (iii) any referral to further training. The final dataset is notable for its detailed individual controls and the accuracy of the activation information.

¹ Examples include Müller and Steiner (2008) for Germany; Maibom et al. (2017) for Denmark; McVicar (2010), Blundell et al. (2004), and Dolton and O'Neill (1996) for the UK.

As noted above a substantial proportion of qualifying job seekers were not referred for activation. The unintended benefit of this policy failure was to generate a randomly selected control group with which to assess the impact of JSA in the Republic of Ireland.

Results

The Impact of Referral and Interview

The results from the initial analysis show that leaving the unemployment Live Register and moving to employment at or before 12 months of unemployment was positively related to higher levels of educational attainment, being male, having access to one's own transport, recent employment and job duration, a willingness to move for a job and low spousal income. However, the probability of moving from unemployment to employment before 12 months duration was found to be negatively related to increased age, dependent children, being separated or divorced, having literacy/numeracy difficulties, relatively high spousal earnings and being in receipt of the non-contributory based Jobseeker's Allowance (JA) benefit payment. These results are in line with previous research (O'Connell et al. 2012).

In relation to the combined impact of both the referral letter and the JSA activation interview it was found that these claimants were 15 percentage points less likely to move to employment prior to being 12 months on the unemployment Live Register. This suggests that the JSA component of the NEAP, specifically the referral letter and interview, is very ineffective in achieving a successful re-entry to employment for job seekers.

Two potential explanations can be offered for the negative result. The first is that claimants were simply given bad advice. The second explanation relates to the possibility that claimants learned that they were unlikely to face any sanctions or monitoring as a consequence of failing to search for, or obtain, employment. This may have led to some decline in job search activity, which resulted in poorer outcomes.

Delayed Impact

The full effect of the referral and interview process may not have been evident at the 12-month point when the analysis was conducted. The probability of an exit to employment at both 15- and 18-month time points was considered. The scale of the JSA activation interview did decline somewhat between 15 and 18 months strengthening the hypothesis that claimants' who have participated in the NEAP JSA referral and interview process relaxed their job search activity.

Conclusions

The analysis conducted in this study is notable in three ways. First, it considers the impact of a JSA programme where both monitoring and sanctions are practically non-existent. Second, the data are based on a unique combination of a specially designed questionnaire administered at the beginning of unemployment spells matched with

official administrative data that tracked individuals for up to 18 months of unemployment. Third, the control group used in the study consisted of individuals who also qualified for activation but were disregarded due to administrative system errors. These errors provided a form of natural experiment in the study.

It was found that individuals receiving a JSA referral letter and/or an activation interview were, on average, 11 percentage points less likely to have exited to employment prior to 12 month's unemployment duration. Participants attending an activation interview learned that concerns about job search monitoring and sanctions were unfounded and, may have lowered their job search activity. It is also concluded that the effects cannot be attributed to poor advice during the interview process as the negative effect remains apparent over the medium-term. Individuals would have opportunities to revise their expectations and behaviour during this period.

From the perspective of policy, the research highlights that JSA is a relatively ineffective activation measure if delivered on its own. In the literature the positive impacts of JSA are usually observed in the context of an integrated activation system characterised by strong conditionality, systematic monitoring and enforced sanctions for non-compliance. These various components of labour market activation result in impacts on job search behaviours that are greater than individual policies when presented in a non-integrated way. On a note of caution the results cannot formally test the hypothesis that the impact of JSA on exit rates to employment will not vary substantially across the economic cycle.

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