

Colloque sur les politiques actives du marché du travail
Conference on Active Labor Market Policies
organisé par la DARES / organized by the DARES

Job Creation Schemes: Discussion

Roland Rathelot
CREST

Les 14 et 15 février 2013 - Paris
February 14th and 15th, 2013 - Paris



The German example

- Germany has tested many kinds of ALMP and notably job creation schemes: what lessons?
- Central question: why do some people persist in UI/welfare?

What is the matter?

- Inadequation btw reservation wage and market wage (related to skills)
 - Demand-side issues: Trade/Technology shocks: over-specific skills are not well valued on the labor market; Macroeconomic shocks
 - Supply-side issues: preference for leisure, childcare issues, low skills
- Inactivity hurts potential productivity
 - Scarring effects
 - Unused human/social capital depreciates

Policy solutions

- Training: update jobseekers' human capital
- Childcare: alleviate child-care takers (mostly women, in practice)
- Activation: foster matching
- Job creation schemes: directly create jobs, at lower cost

Which job for which results?

- Additional work, of public interest (Trad. Scheme & 1EJ)
 - Basically no effect
 - Why? Specific skills acquired? No skills at all? Stigma?
- Wage subsidy to “normal employers”
 - Some evidence of positive effects
 - Consistent with the “productivity/wage gap” theory
 - Less specific skills? How to get out?

Issues

- Substitution/displacement effects
 - If subsidy just compensates the employers for the lack of productivity: no vacancy creation
 - Total displacement?
- Cost-benefit analysis
 - Total effects or distributional effects?
- Identification: matching can be very wrong
 - Let us all do RCTs (or at least RDD)!

The CEIP study

- Communities design jobs for welfare and LT-UI recipients
 - Community-based: jobs should be useful to the community
 - 3 yrs of full-employment doing many different jobs, full-time, correct wage
- Much to like about the study
 - RCT: internal validity is warranted
 - Cost-benefit analysis
 - Many interesting outcomes

The impact of the CEIP

- During program: large impact
- After program: smaller impacts
 - Slightly lower employment rate
 - Slightly larger income
 - Larger wage rate / job quality (for those working)
- Larger impacts within the welfare sample

Hypotheses

- Hypotheses
 - Negative social stigma related to program participation?
 - Program generates information for future employers: sorting welfare beneficiaries by employability?
- Questions
 - Effort? LFP? Childcare? Gender differences?
 - Impact on variance?

Cost-benefit analysis

- Benefits: most of it comes from the value of CEIP jobs. How would that be sensitive to upscale?
- Benefits could actually be even higher if we think that the reduction in welfare receipt persists after 54 months
- What about hidden costs: less leisure, less work at home (e.g. time with children), childcare...?

What have we learnt?

- The policy has to be sustained to be helpful: not much of a stepping-stone
- The policy has a quite high take-up rate for welfare recipients (65%), much lower for UI recipients (25%)
- Is revealing information Pareto-optimal?