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# Job Creation Schemes: Discussion

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# 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?