Coaching of Older Job Seekers
Caseworker’s Beliefs & Treatment Allocation
–
Two Field Experiments on Targeting of LMP Strategies

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Motivation

• **Targeting** of labor market policy (LMP) strategies may be beneficial
  – Focusing the use of LMP with respect to ...
    • ... age or education groups (etc.)
    • ... intensity of use of counseling
    • ... choice & timing of LMP training programs
Motivation

• **Targeting** of labor market policy (LMP) strategies may be beneficial
  – More optimal resource allocation (staff, program slots, financial)
    • ... in particular in times of austerity
  – Focused treatments may be more effective
    • ... e.g. risk of long-term unemployment differs by age
Long-term Unemployment by Age

- LTU rates: OECD 33.6%, NO 11.6%, US 31.3%, UK 33.4%, CH 38.8%, FR 41.4%, DE 48.0%, SK 63.9% (OECD 2012)
Interventions

- Two Randomized Controlled Trials in Switzerland (pilot projects)
  - Targeted strategy: older age
    → field experiment 1
  - Allocation mechanism: profiling as incentive
    → field experiment 2 (ongoing)
Experiment: Interventions

- Targeted to older job seekers: age 45 to 61.5
- 2 PES in Northern CH, inflow Dec 07 – Dec 08

Treatment Group

1. Intensified Counseling (every 2\textsuperscript{nd} week, 4 months)
2. Coaching Program (20 working days, small groups)
   i. Self-profiling & self-marketing
   ii. Realistic self-assessment
   iii. Optimization of job search strategy & efficiency
   iv. Improvement of application skills

Control Group

- "status quo" treatment; coaching not available
Experiment: Timing

- Inflow of 2 PES filtered: age 45+, mid/low employability, sufficient language skills
- Randomization before 1st meeting
- Information at 1st meeting
- Assignments (by caseworker) are compulsory
- Timing of treatments *fixed ex-ante*
The Data

• Register Data of Unemployment Insurance
  – daily timing of events; unemployment history & post-unemployment period

• Repeated surveys covering
  – job search behavior, motivation, life satisfaction etc.

• Caseworkers and job seekers surveyed

• Timing of surveys
  – at 1\textsuperscript{st} interview, after 1/2/3/4/9/12 mt & at exit (or after 12 mt)
### Did Randomization work?

<table>
<thead>
<tr>
<th></th>
<th>Treatment Gr.</th>
<th>Control Group</th>
<th>t-val</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender: Woman</td>
<td>44.1%</td>
<td>43.3%</td>
<td>0.15</td>
</tr>
<tr>
<td>Married (or separated)</td>
<td>56.4%</td>
<td>49.7%</td>
<td>1.22</td>
</tr>
<tr>
<td>Age</td>
<td>52.5</td>
<td>51.9</td>
<td>1.04</td>
</tr>
<tr>
<td>Nationality: CH</td>
<td>84.4%</td>
<td>85.1%</td>
<td>-0.17</td>
</tr>
<tr>
<td>Qualification: (semi-)skilled</td>
<td>96.2%</td>
<td>95.7%</td>
<td>-0.17</td>
</tr>
<tr>
<td>Employability: 3/4</td>
<td>77.4% / 21.5%</td>
<td>78.0% / 21.3%</td>
<td>-0.05</td>
</tr>
<tr>
<td>At least 1 foreign language</td>
<td>55.4%</td>
<td>53.2%</td>
<td>0.39</td>
</tr>
<tr>
<td>Job &lt; 100%</td>
<td>17.7%</td>
<td>17.7%</td>
<td>0.00</td>
</tr>
<tr>
<td>PES 2</td>
<td>14.5%</td>
<td>10.6%</td>
<td>1.04</td>
</tr>
<tr>
<td>Duration to availability (days)</td>
<td>11</td>
<td>13</td>
<td>-0.49</td>
</tr>
<tr>
<td>Past UE duration (days)</td>
<td>0</td>
<td>0</td>
<td>0.00</td>
</tr>
<tr>
<td>Observations</td>
<td>186</td>
<td>141</td>
<td></td>
</tr>
<tr>
<td></td>
<td>56.9%</td>
<td>43.1%</td>
<td></td>
</tr>
</tbody>
</table>
## Results: Main Outcomes

<table>
<thead>
<tr>
<th></th>
<th>TG</th>
<th>CG</th>
<th>t-val</th>
<th>obs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unemployment duration, means</td>
<td>234.7</td>
<td>241.9</td>
<td>-0.324</td>
<td>327</td>
</tr>
<tr>
<td>Unemployment duration, medians</td>
<td>139.5</td>
<td>138</td>
<td>0.060</td>
<td>327</td>
</tr>
<tr>
<td>Longterm UE</td>
<td>27.9%</td>
<td>31.9%</td>
<td>0.774</td>
<td>327</td>
</tr>
<tr>
<td>Found job</td>
<td>72.0%</td>
<td>63.1%</td>
<td>1.718</td>
<td>327</td>
</tr>
<tr>
<td>Gross Salary in CHF (mean)</td>
<td>5357</td>
<td>5392</td>
<td>-0.105</td>
<td>163</td>
</tr>
<tr>
<td>Difference to pre-UE (CHF)</td>
<td>-403</td>
<td>-242</td>
<td>-0.737</td>
<td>152</td>
</tr>
</tbody>
</table>

[1 CHF = 0.81 EUR = 1.10 USD]
Results: Dynamics

- Survivor Treatment Group
- Survivor Control Group
Results: by Treatment Period

- Anticipation ($\delta_a$): negative (sign.): “attraction” effect
- During coaching ($\delta_{c1}$): negative (sign.): lock-in effect
- Post-coaching ($\delta_{c2}$, up to 90 days): zero
- Post-coaching ($\delta_{c3}$, beyond 90 d): positive (insign.)
- Unemployment recurrence over 500 d after exit: positive (sign.) $\rightarrow$ saves 23 days of future UE p.p. (counterfactual simulation)
Results: Search Behavior

Treatment effects (during & after coaching):

- Reservation wage (min. accepted salary): ↓
- Wage expectation: ↓
- Search effort (applications): ↓ ⇒
- Search strategy: extension of scope (during)
- Search channels: frequency ↓ ⇒ ;
  temporarily increased use of informal channels

[diff-in-diff estimations w.r.t. $t_0$]
Beliefs about Job Chances

• Job seekers *overestimate* chance to get job interview

• Caseworkers *underestimate* unemployment duration
Caseworker’s Beliefs

- Expectations are not very distinct
  - potential for optimization in treatment allocation
  - optimal intensity of treatment
  - distinction of low ↔ high risk individuals
Experiment: Profiling

• Can Profiling help the caseworkers to sharpen their assessment of the job seeker’s job chances/risk for longer unemployment?

• Experiment: Profiling as exogenous information input: How does it affect ...
  – ... caseworker’s beliefs?
  – ... treatment allocation?
  – ... labor market outcome of job seeker?
Experiment: Setup

• Treatment allocation decisions by caseworker
  – Freedom in setting counseling rhythm (reform 2011)
  – Timing & frequency of use of ALMP programs
    → crucial: information (collection) at start of UE
    ↔ caseworker expectations
Experiment: Setup

- Experimental intervention: randomized offer of profiling after first meeting
  1. Caseworker collects information on search behavior, motivation, health, expectations etc. of job seeker
  2. Profiling system calculates expected unemployment duration & presents it as a risk assessment
  3. Random decision whether prediction / risk assessment is provided to the caseworker
  4. Confrontation profiling prediction $\leftrightarrow$ cw expectation
  5. Freedom of caseworker to react on it
Caseworker’s Beliefs

- Data: calibration sample (1240 obs), western Switzerland

![Graph showing realized (past) UE durations and expected UE durations. The x-axis represents the duration of unemployment, and the y-axis represents density.]
Assessing Job Chances

• Which information helps to predict job chances / unemployment risk? [source: preparatory study on profiling]
  – Chances of applications (caseworker assessment)
  – Degree of realism of job seeker’s self-assessment
  – Job seeker’s self-confidence
  – Job search motivation
  – Reservation wage (relative to pre-UE wage)
  – Job interviews per week
  ▪ Use of register data only: Prediction precision not (yet) higher than for caseworker’s beliefs

  ➔ such information could serve as potential early indicators (intermediary outcomes) of j.s.’ success
Conclusions

• For older job seekers, intense coaching can be a successful tool to support job finding
  – Operates through assessment of wage expectations and optimization of search efficiency
• Job seekers and caseworkers are, on average, overconfident in assessing job chances
• Which information helps predicting unemployment duration/job chances?
  – Go beyond classical register data:
  – Job seeker behavior & job seeker’s self-perception