

# Job search monitoring and assistance for the unemployed

## Can job search requirements and job search assistance help the unemployed find better jobs faster?

Keywords: job search, unemployment, monitoring, counseling, assistance

### ELEVATOR PITCH

In many countries, reducing unemployment is among the most important policy goals. In this context, monitoring job search by the unemployed and providing job search assistance can play a crucial role. However, more and more stringent monitoring and sanctions are not a panacea. Policymakers must consider possible downsides, such as unemployed people accepting less stable and lower-paying jobs. Tying “moderate” monitoring to job search assistance may be the essential ingredient to make this approach successful.

### KEY FINDINGS

#### Pros

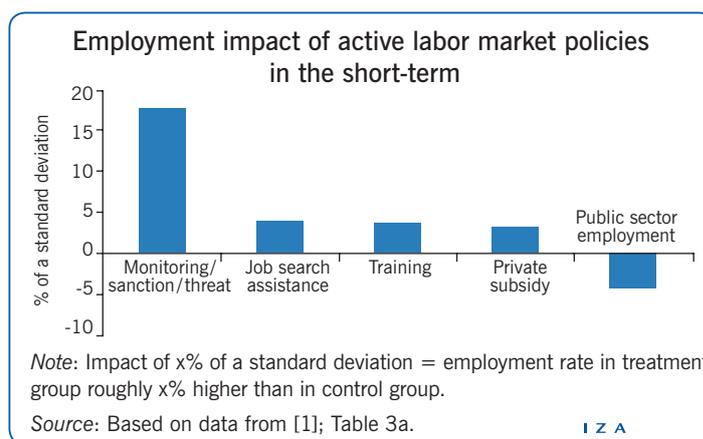
- ⊕ Job search assistance and monitoring increases job finding rates for the unemployed.
- ⊕ Basic job search monitoring can be enough to increase the job finding rate.
- ⊕ Job search monitoring is cheap to implement compared to other active labor market policies such as job training.
- ⊕ Job search assistance can be more effective for job-seekers with worse job prospects or with too narrow job search criteria.

#### Cons

- ⊖ Job search assistance and monitoring increases the competition for jobs, and therefore lowers the job finding rate for unemployed job-seekers who do not participate in the program.
- ⊖ Reinforced job search monitoring does not increase job finding.
- ⊖ Sanctions for insufficient job search can push the unemployed to take lower quality jobs.
- ⊖ Reinforced job search monitoring can cause some unemployed workers to give up searching and begin receiving disability benefits instead.

### AUTHOR'S MAIN MESSAGE

Taken together, job search assistance and job search monitoring help the unemployed find jobs faster, and are fairly cheap to implement. Even in the absence of job search assistance, standard job search monitoring has a positive effect on recipients' job finding rate. However, intense job search monitoring accompanied by sanctions can push the unemployed to take lower quality jobs, or to give up searching altogether and start receiving disability benefits instead. Another downside is that job search assistance and monitoring can help program participants find a job at the expense of non-participants. Overall, the evidence most strongly supports moderate job search monitoring.



## MOTIVATION

Social insurance and protection programs provide people with income to sustain their consumption when they have no income from work. However, such income replacement schemes can discourage job search, and therefore increase unemployment. This is the reason why most unemployment insurance programs and some welfare programs require beneficiaries to search for jobs in order to continue receiving benefits. In some cases, job search requirements are accompanied by job search assistance, which can take many forms. Typically, counselors explain how to search for jobs, help job-seekers to write resumes, and direct them to vacancies for which they are qualified.

Does job search monitoring and assistance reduce unemployment? Does it speed up the return to work? While it may seem intuitive that job search monitoring and assistance should increase the rate at which recipients return to work, several adverse effects need to be considered. In particular, pushing workers to find a job quickly can encourage them to take low quality jobs, e.g. jobs with lower pay or lower duration. Furthermore, increased job search by some unemployed persons can increase competition for jobs, thereby decreasing the job finding rate of other unemployed workers. In summary, while job search monitoring and assistance can help reduce unemployment duration, it also has perverse effects that must be taken into account.

## DISCUSSION OF PROS AND CONS

### Defining job search assistance and job search monitoring

Job search monitoring is undertaken by a country's unemployment agency; it involves checking that unemployment insurance recipients comply with the stated job search requirements. If an unemployed worker is discovered not to be complying with their job search requirements, there is typically a warning, and then a sanction is imposed in the form of a cut in unemployment benefits.

Job search monitoring is more intense if job search requirements are more stringent, and it is common in these cases that the unemployment benefit agency will check more carefully that the recipient is following procedure correctly. A basic level of job search monitoring requires unemployed workers to periodically report that they are still without employment and looking for jobs. A standard level of monitoring may require the unemployed to contact about two employers per week, and report this to the unemployment agency, as in the US state of Maryland [2], or in Switzerland [3]. A reinforced job search monitoring regime requires more job applications [2], and/or frequent meetings with the case worker who checks on the recipient's job search progress, e.g. every two weeks as under the British Jobseeker's Allowance program (JSA) [4].

Job search assistance programs explain to job-seekers how to look for jobs effectively (e.g. how to write resumes) and can recommend jobs that the participant should apply for. Most of these programs include a blend of job search assistance and job search monitoring. By participating in a job search assistance program, the unemployed typically reveal information about their job search effort; for example, they may mention where they applied and why they think the application was unsuccessful. Therefore, these programs are also a form of job search monitoring: participants know that they are being watched and want to demonstrate enough job search effort to avoid being imposed with

benefit sanctions. Hence, when a job search assistance program is run as part of the unemployment benefit system, it is not possible to fully disentangle the impact of job search assistance per se from the impact of additional monitoring. This is why literature reviews typically put job search assistance programs in the same category as job search monitoring programs.

### **Job search assistance and monitoring lower unemployment duration**

A meta-analysis of many job search assistance and job search monitoring programs in both Europe and North America shows that job search assistance and monitoring is a reliable way to decrease the duration of unemployment [1]. Among active labor market policies, job search assistance and monitoring reduces the duration of unemployment the most in the short term, as shown in the meta-analysis [1], and typically does so at low cost [5]. The low cost of job search assistance and monitoring can be explained by the fact that most standard programs have limited staffing requirements; this is to be contrasted with, for example, job training programs.

To the extent that job search is effective, one would expect that unemployed persons who are required to search should find a job faster. And indeed, many studies of policies implemented in OECD countries and beyond have found positive effects of job search assistance and monitoring on participants' return to work rates [1]. The effects of various programs on employment are reported as a percentage of a standard deviation, which can be roughly interpreted as a percentage effect on employment under some simplifying assumptions. In the short term, i.e. less than a year after the end of the program, job search assistance increased employment by 4% of a standard deviation (an impact of x% of a standard deviation means that the employment rate in the treatment group is roughly x% higher than in the control group). Sanctions and threats (monitoring) increased employment by 18% of a standard deviation (see the illustration on page 1).

In the medium and longer term, job search assistance and monitoring remains effective [1]. In the medium term (one to two years after completion of the program), job search assistance still increases employment by 4% of a standard deviation. In the longer term (three years or more after the completion of the program), the effect of job search assistance drops to 2% of a standard deviation. Sanctions and threats increase employment by 15% of a standard deviation in the medium term, but the impact drops to 4% of a standard deviation in the long term. As a point of comparison, training only increases employment by 4% of a standard deviation in the short term, but its impact rises to 14% in the medium and long term. In the long term, training is therefore more effective at increasing employment than job search assistance and monitoring, but training is also much more expensive. Therefore, job search assistance and monitoring may be more cost-effective than training despite its lower long-term effectiveness. Overall, job search assistance and monitoring is effective in speeding up the return to work in the short and medium term, with smaller effects in the longer term.

A less obvious way in which job search assistance speeds up the return to work is through a "threat effect." That is, some unemployed workers secure employment quickly so that they do not need to participate in mandatory job search assistance activities, such as meeting a counselor. Such mandatory job search activities constitute a hassle to the unemployed and can be sufficient to persuade them to search harder by themselves. In

a US experiment, the threat of being assigned to mandatory job search assistance had a larger effect on job finding than the job search assistance itself [6]. This is explained by the fact that some job-ready workers preferred to return to work rather than incur the cost of going to job search assistance meetings. In this case, it is not the job search assistance per se that helps, but rather the threat of it.

There is limited evidence on the impact of job search assistance per se on job finding. Large-scale experimental work in France shows that intensive job search counseling increases exit to employment by up to 50% [7]. Specifically, this French job search assistance program reduced the number of job-seekers per counselor from 120 to 40, which allowed for weekly instead of monthly meetings with the counselor. The enhanced job search assistance program targeted job-seekers at risk of long-term unemployment. Compared to the regular job search assistance program, this enhanced version resulted in more training about job search methods, including how to use the internet and target specific companies. The enhanced job search assistance program was delivered by both private and public providers, and the experiment showed that public providers were much more effective. The public program increased exits to employment among participants by 10.2 percentage points (from 20% to 30.2%) after six months, while the private program only increased exits to employment by 4.5 percentage points. However, the fact that this program was mandatory as part of unemployment benefit receipt means that one cannot fully disentangle its effect from the impact of increased job search monitoring.

In a British study, unemployed job-seekers were recruited into a job search assistance program that was delivered by researchers completely independently from the unemployment insurance agency [8]. The job search assistance delivered individualized recommendations using a computer. Based on the job-seeker's existing target occupations, similar occupations were recommended. The intervention led to job-seekers broadening their search by occupation, and to a 30% increase in the number of job interviews. The impact of the intervention was largest for the longer-term unemployed who were initially searching in a narrow set of occupations: for them, job interviews increased by 70%. The job search assistance intervention did not, however, have any significant impact on job finding. This may be due to the fact that job finding was uncommon and the study only had a small number of participants (300), so it was difficult to find a clear effect on job finding. Overall, low-cost non-mandatory computer-assisted job recommendations have promising effects on job search and interview outcomes.

### **Basic job search monitoring can be enough to increase job finding**

While more evidence is needed on the usefulness of job search assistance alone, multiple studies have shown that job search monitoring does increase job finding [1]. Studies are particularly convincing in showing that a complete absence of monitoring decreases job finding: when people's job search is not monitored at all, they are less likely to find a job. This has been demonstrated, for example, in a review of US randomized controlled trials (RCT) [5]. In an experiment that occurred in the state of Washington in the late 1980s, unemployed job-seekers were told to search for jobs, but were not required to report any job search activity and did not receive any job search assistance. They were just told to inform the unemployment insurance office when they have found a job. This lack of job search monitoring resulted in a 3.3 week increase in the duration of insured unemployment.

Another RCT sharpens the results regarding the impact of different levels of job search monitoring on the duration of unemployment [2]. The experiment was implemented in the US state of Maryland in 1994. The standard job search requirement in the state was to contact two employers per week, and report these contacts to the unemployment insurance office. In one of the treatments, unemployed job-seekers did not have to report how many employers they had contacted, but still had to report that they were unemployed each month. This lower level of reporting did not significantly increase the duration of unemployment compared to the standard requirement of reporting two employment contacts per week. The Washington experiment mentioned above shows that only having to report after finding a job is not likely to be a sufficient level of job search monitoring, and contributes to increasing unemployment duration. On the other hand, just having to regularly report being unemployed, without reporting any specific job search efforts, is enough to stimulate job finding [2].

### **Reinforced job search monitoring can fail to increase job finding**

However, job search monitoring does not always increase job finding, especially when its intensity is raised beyond the standard level of monitoring. The Maryland RCT mentioned above also experimented with strengthened job search requirements and monitoring. In one of the treatments, job search requirements were increased from the typical two employer contacts a week to four contacts a week. In another treatment, job seekers had to provide contact information for the standard two weekly employer contacts, so that their case worker could verify job applications. These two treatments resulted in a decrease in the duration of insured unemployment, but no increase in job finding [2].

Why does reinforced job search monitoring fail to increase job finding? First, increasing monitoring does not work if it causes job-seekers to shift away from informal to formal job search channels, rather than increasing overall job search. Formal job search channels, such as applying for a job, are those that are subject to monitoring. By contrast, informal job search channels, such as asking family and friends about potential job leads, do not count as job search activities for the purpose of job search monitoring. Therefore, tightening monitoring standards can lead the unemployed to use more formal job search channels at the expense of informal job search channels. Such substitution between search channels has been shown to occur among job-seekers with good job prospects in the Netherlands, leading to zero effect of increased monitoring on job finding [9]. While the effect was generally insignificant, increased job search counseling and monitoring had more positive effects for older job-seekers though. Older job-seekers had worse job prospects and were more likely to use formal channels to begin with; therefore, there was little substitution away from informal job channels, and the strengthened counseling and monitoring likely increased the effectiveness of formal job search for this group. In other words, reinforced job search assistance and monitoring does not help those with good job prospects, though it may help those who have worse job prospects.

Second, increased job search monitoring can cause workers to give up on job search altogether. The intuition is that if the requirement becomes overly costly and barely feasible in practice, the unemployed will become discouraged. In the case of the British JSA, evidence shows that reinforced job search requirements and monitoring did not lead to an increase in job search, nor to an increase in job finding [4]. Worse than that, becoming unemployed under the JSA rather than six months earlier resulted in a 5% decrease in

the probability of working up to four years after the unemployment spell started. At the same time, the JSA increased the likelihood of receiving disability benefits by about 3%. The JSA merely resulted in taking away unemployment benefits from people who were not searching hard enough to qualify: once these people were thrown off the unemployment rolls, they were likely to search less hard, had greater difficulty finding a job, and were more likely to resort to other benefits including disability benefits.

Therefore, reinforced job search requirements and monitoring can be ineffective in increasing the return to work, and can even have the perverse effect of pushing beneficiaries out of work altogether.

### **Job search monitoring and sanctions can lower job quality**

Job search monitoring and sanctions for non-compliance can speed up the return to work, but this can occur at the expense of job quality [3]. If people are pushed to take up jobs more quickly, they are more likely to compromise on job quality (e.g. people may take jobs with lower wages). The result is that people are less likely to stay in these jobs. In the case of Switzerland, it is shown that benefit sanctions lead to a 10% reduction in unemployment duration, but also a 6% earnings reduction over the two years after the warning for a benefit sanction [3]. The reduction in earnings is due to a combination of a shorter job spell after re-employment and a reduction in wages in the new job. Of course, the reduction in unemployment duration represents a cost saving for the unemployment benefit system. However, these savings are not costless: earnings losses for workers represent 52% of these savings. Even when job search monitoring and sanctions work as intended to reduce unemployment duration, there are real costs in terms of job quality as measured by wages and job duration.

To the extent that job search monitoring lowers job match quality, it can reduce productivity in the economy. Indeed, higher wages are typically associated with higher labor productivity. Higher job duration allows for learning on the job and therefore increased productivity. If job search monitoring pushes workers to take a lower-paying and less stable job over a higher-paying and more stable one, this means that job matches are worse and results in a productivity loss for the economy. Furthermore, shorter job duration can result in more frequent unemployment spells and therefore more frequent benefit payments. Thus, even though tougher job search monitoring can save money for the unemployment insurance agency by speeding up the return to work today, higher costs are experienced in the future because job-seekers come back more quickly to collect unemployment benefits.

### **Displacement effects: Robbing Peter to pay Paul**

The overwhelming majority of studies focus on the impact of job search assistance and monitoring on the outcomes of those unemployed people who are subject to these programs. However, it is important to consider whether these policies have the potential to reduce unemployment in the economy as a whole.

A small but growing body of research shows that job search assistance and monitoring can have strong displacement effects. They may be “robbing Peter to pay Paul”: by pushing

program participants to search harder and to find a job faster, the competition for jobs is increased. As a result, those who do not participate in these programs have a harder time getting hired, and their unemployment duration increases.

To show that displacement effects exist, one can draw on changes in job search effort resulting from an increase in the generosity of unemployment benefits. More generous unemployment benefits should reduce job search effort, and therefore lower the competition for jobs. Using data from the leading employment website CareerBuilder.com, one study shows that unemployment benefit extensions during the great recession lowered the number of job applications in the US [10]. Since benefit extensions did not affect the number of vacancies, the number of applications per vacancy declined, and therefore competition for jobs declined. Taking into account the effect on the competition for jobs, the impact of reduced job search on unemployment is smaller than in the absence of this effect. In Austria, an increase in benefit duration for some of the unemployed resulted in lower unemployment duration for those who did not qualify and were searching in the same region [11]. Taken together, these studies suggest that increasing job search effort will *increase* the competition for jobs and create displacement effects, with a lower job finding rate for those who do not participate in job search monitoring and assistance programs.

More direct evidence comes from a French RCT that evaluated the impact of a job search assistance program for young people who were long-term unemployed and did not qualify for unemployment insurance benefits [12]. The impact of job search assistance on job finding was positive: on average, long-term employment increased by 2.5 percentage points, up from 36.5%. However, job-seekers in the same local labor market who did not participate in the program were 2.1 percentage points *less* likely to gain long-term employment. Therefore, the positive effect of job search assistance on employment came almost entirely at the expense of non-participants.

The review of job search assistance experiments finds that job search assistance and monitoring programs tend to have larger effects in recessions [1]. The French experiment on young people also shows that the effects of the job search assistance program on participants were larger in more depressed local labor markets [12]. However, this again came mostly at the expense of young people who did not participate in the program. The displacement effects were stronger in depressed areas than in non-depressed areas, likely because the competition for jobs was more intense to start with. Therefore, even though job search assistance and monitoring programs tend to have more positive effects in recessions [1], this may partly be due to displacement effects.

Displacement effects for job search assistance programs directed at unemployment benefit recipients have also been found in Denmark using an RCT [13]. The unemployment rate in Denmark at the time (2005–2006) was very low (4.2%), which suggests that the displacement effects should not be too large given that competition for jobs should be low. Yet, while program participants were 10% more likely to have found work after three months, more than 25% of this effect was due to displacement of non-participants. In this tight Danish labor market, there is evidence that firms reacted to increased job search by creating more vacancies, which alleviated the impact of additional job search by program participants on the competition for jobs. Using a model in tandem with the empirical results for Denmark, the authors show that reinforced job search assistance decreases social welfare if it is provided to more than 20% of the unemployed benefit recipients

[13]. This finding confirms that reinforced job search assistance and monitoring does not necessarily improve welfare overall, both because it can lead to worse job matches (e.g. lower pay and lower job duration), as described previously, and because of strong displacement effects.

Such displacement effects are very important for policymakers to consider. Indeed, an agency that distributes benefits to the unemployed has an incentive to save money by pushing its clients to find jobs faster. However, usually the agency does not take into account the adverse effects on job-seekers who are not its clients. It is important for policymakers to take into account displacement effects and consider the overall impact of any job search assistance and monitoring program on all the unemployed, not just program participants or the clients of a particular agency. A higher level of administration must keep an eye on this aspect, to ensure that policies are coherent and effective to accomplish the key policy objective of increasing job finding and job quality for *all* of the unemployed.

## LIMITATIONS AND GAPS

There have been almost no evaluations of public policies that implement job search assistance in a way that is completely divorced from any type of job search monitoring. The French experiment for youth described above provided job search assistance to unemployed workers who did not receive benefits [12]. Since those who do not receive benefits have no incentive to stay unemployed for longer periods to collect benefits, there is also no compelling reason to monitor their job search. With the exception of one example, there are no studies that investigate the impact of job search assistance detached from job search monitoring for those unemployed who do receive benefits [8]. Moreover, the one existing study is a small scale experiment run by researchers, not a policy experiment. It would be useful to run a larger-scale experiment that provides job search assistance to the insured unemployed in a way that makes it very clear that there is no monitoring involved. For example, a public agency may contract with a nonprofit organization for this purpose and make it very clear that the counseling provided by the nonprofit organization is optional, confidential, and will not influence the receipt of unemployment benefits. Such an experiment would allow for the measurement of the effect of job search assistance per se on the unemployed who receive benefits.

Thanks to increased data availability and algorithmic power, good personalized job search recommendations can be implemented at low cost. In fact, the private sector already provides such services through online job search platforms. However, not enough is known about the effect of such algorithmic job search assistance on job finding (an exception is [8]). Future research should investigate the effectiveness of such job search assistance tools.

The effects of job search assistance and monitoring during recessions are particularly uncertain. On the one hand, one study finds that job search assistance and monitoring programs tend to have larger effects in recessions [1]. On the other hand, the findings from two other studies suggest that the positive effects of job search assistance and monitoring could be largely due to displacement, i.e. increasing the job finding of program participants at the expense of non-participants [12], [13]. More research is needed to systematically explore the size of displacement effects under different economic conditions.

## SUMMARY AND POLICY ADVICE

Job search assistance and monitoring decreases unemployment duration, and typically speeds up the return to work. The most effective policy is standard job search monitoring, because of its low cost and positive effects on job finding. The effects of job search assistance per se are less clear cut, but the evidence suggests beneficial effects for job-seekers with worse job prospects or who search too narrowly. On the other hand, reinforced job search requirements, including strengthened monitoring and sanctions, can have adverse effects. By pushing the unemployed to find a job quickly, reinforced job search requirements and monitoring can lower job quality (i.e. lower wages and employment stability). Furthermore, reinforced job search requirements and monitoring can discourage some workers from searching for a job, and push them onto disability benefits instead.

When implementing job search assistance and monitoring, policymakers should be mindful of displacement effects. Therefore, it is important to evaluate the effects of job search assistance and monitoring policy not only on program participants, but on the job finding rate for all unemployed job-seekers. It is only then that one can assess whether job search assistance and monitoring actually increases job finding and reduce unemployment in the economy as a whole.

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### Competing interests

The IZA World of Labor project is committed to the IZA Guiding Principles of Research Integrity. The author declares to have observed these principles.

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### Further reading

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