

# Evaluating the Monitoring of Unemployed Workers Using a Controlled Social Experiment

Gerard J. van den Berg

(Alexander von Humboldt Professor, Mannheim)

## AIM:

study effects of C&M on individual outcomes:

- exit rate to work,
- outcomes after unemployment (wage, exit from job).

## AIM:

study effects of C&M on individual outcomes:

- exit rate to work,
- outcomes after unemployment (wage, exit from job).

From the description of C&M it is clear that it mostly involves *monitoring* of search effort (with the threat of punishments in case of violation). Confirmed by survey responses.

Use the results to get insights into effects of monitoring unemployed workers in general.

## The results are reported in:

- Van den Berg, G.J. and B. van der Klaauw (2006), Counseling and monitoring of unemployed workers: theory and evidence from a controlled social experiment, *International Economic Review* 47, 895–936.
- Van den Berg, G.J. and B. van der Klaauw (2010), Structural empirical evaluation of job search monitoring, Working paper.
- Publications in Dutch, with Ger Homburg et al.

## Outline:

- 1 Data
- 2 Empirical results
- 3 Experiments and econometrics
- 4 Experiments in Germany

## Data:

- ❶ Collected right after the experiment:
  - Unemployment duration register 1998–1999.
  - Interview survey (March 1999).
  
- ❷ Added later by us:
  - Unemployment duration register 1999–2004.
  - Wage and job duration register 1998–2004.

All these data are merged at the individual level.

## Empirical results:

- insignificant effects of monitoring on unemployment duration (–), accepted wage (–), and job duration (–).
- From the survey:  
Monitored unemployed individuals switch job search effort from informal to formal channels (e.g. from asking friends to writing application letters).

Note: the latter are monitored but the former not.

Also note: the individuals have good networks.

*Survey data are crucial to understand the findings from the register data.*

Extrapolations using economic theory and other (non-)experimental studies:

- With less favorable characteristics and conditions  $\Rightarrow$  less effort substitution  $\Rightarrow$  larger effects on exit rate to work and on wages.
- With less job-to-job mobility  $\Rightarrow$  more persistent long-run effects on wages and job durations.

Theory and other empirical evidence are crucial to *widen the relevance to alternative settings*.

Econometric expertise is crucial if we do not observe the outcomes for all treated and controls:

- Exit rate to work at duration  $t$ :  
this is only observed for those who are still unemployed at  $t$ .

If there is a treatment effect then the treated with the best chances have already left before  $t$ . So the composition in terms of % treated/control is not random anymore among unemployed at  $t$ .

- Wages: only observed for those who got a job before the end of the observation window (2004).

Notice: social experiments with unemployed people:  
is often only allowed for non-prominent / unpopular policies with small expected effects.  
One reason for why the estimated effects are often insignificant.



## Social experiments in Germany:

Largely non-existent (“ethical” concerns).

Moreover: hard to get access to data registers (privacy concerns).

However, recent change in views at National Employment Office.

One of the experiments in which I am involved, together with IAB (= research institute of National Employment Office):

- Information provision to older unemployed workers about their eligibility for a large wage subsidy.

## Connections between National Employment Office ↔ ESF

- Cooperation in implementation of ESF ALMPs in Germany.
- Evaluation of an ALMP of the ESF (non-experimental), by IAB.

I will be involved with an International Conference on the use of social experiments for ALMP, at IAB in Nuremberg (Oct/Nov 2012).