J-PAL
ABDUL LATIF JAMEEL POVERTY ACTION LAB

GUIDE 3: COUNSELING AND JOB PLACEMENT FOR YOUNG JOBSEEKERS

How to Randomize?

This case study is based on "Do Labor Market Policies have a Displacement Effect? Evidence from a Clustered Random Experiment." By Bruno Crepon , Esther Duflo, Marc Gurgand, Roland Rathelot, Philippe Zamora, Working Paper, 2011

J-PAL thanks the authors for allowing us to use their paper.

INTRODUCTION

Professional job counseling services are often discussed as a potential tool for helping educated young people find stable jobs. By connecting employers with job seekers, counseling agencies are thought to smooth the process of finding work and make better matches between employers and employees. Historically, the French government has taken it upon itself to provide these services. But how successful will this strategy be in solving France's problem of high unemployment—particularly among the youth? Even with these services, a sizable portion of those with college degrees have real difficulty finding a job. Some policymakers have suggested that more intensive forms of career counseling and support, in particular those provided by private agencies, could improve the efficiency of matching between employers and employees. Their proposals would reduce the role of the public sector in providing services for the unemployed, functionally handing over many of these core functions to the private sector.

If the government outsources this function to private employment agencies, will we see an improvement in job placement and job retention? What experimental designs could test the impact of this intervention?

LEARNING OBJECTIVE

To explore how an experimental design can be used to answer different research questions and to manage spillovers; to examine randomization strategies.

SUBJECTS COVERED

Evaluation design, randomization design

GENERAL GUIDANCE

People may get confused about how the public program was different from the private program. If so, tell them that the private program was more intensive and required more contacts and meetings between the jobseeker and his counselor. These private agencies performed these functions in the absense of the program for any jobseeker willing to pay them for these services. However, when the program was introduced, any of these private firms could apply to the government to be part of the program (provide their services to individuals assigned to get the program).

Discussion Topic 1

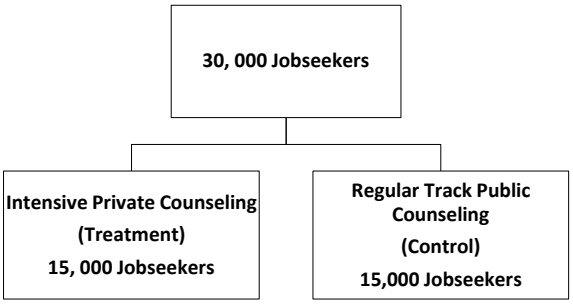
Testing the effectiveness of private counseling

1. What is the relative effectiveness of private counseling versus regular government counseling? Who would be in the treatment and control groups, and how would they be randomly assigned to these groups?

   Answer

   People should not be thinking about spillovers quite as yet, but the overall effect of getting additional counseling form private agencies compared to just getting regular public counseling. The answer to this is pretty straightforward. The randomization would be done at the individual level, such that say, of the 30,000 jobseekers, 15,000 are assigned to the treatment group (intensive counseling by private agencies) and the rest of the 15,000 are assigned to the control group (regular track). Randomization into treatment would ensure that the observable and unobservable characteristics of the individuals in treatment group are equivalent to those of the individuals in the control group. The employment outcomes of individuals at the endline then would give us the effect of receiving intensive private counseling. See figure below:

FIGURE 1



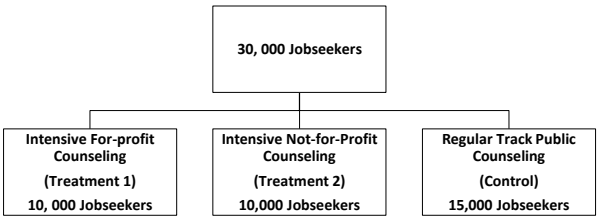
Discussion Topic 2

Testing the effectiveness of for-profit and not-profit agencies

1. What is the relative effectiveness of for-profit private agencies versus not-for-profit private agencies? Who would be in the treatment and control groups, and how would they be randomly assigned to these groups?

   The randomization would still be done at the individual level. However, now we have two different treatments: 1) Intensive counseling by for-profit private agencies; 2) Intensive counseling by not-for-profit private agencies. Randomization would now be done such that 10, 000 jobseekers receive treatment 1 (for-profit counseling), 10,000 jobseekers receive treatment 2 (not-for-profit counseling) and the rest of the 10,000 jobseekers would be assigned to the control group (regular track). See figure below:

FIGURE 2



Discussion Topic 3

Managing Spillovers

1. How might spillovers undermine our analysis? In which direction could the bias be, and why?

Answer

Spillovers would result in a transfer of job opportunities from individuals who do not receive counseling to those who do. The program would have a direct positive impact on employment for people who got the program (received counseling) and a direct negative impact on people who were excluded from the program (did not receive counseling). This would bias our estimate upwards, and if not accounted for in our calculation would overstate the results – since the control group would be better off had the program not been offered.

2. What randomization strategy could you use to address this issue?

Answer

If individuals within a local labor market compete for the same jobs, then we may wish to change the level of randomization. Instead of randomizing at the individual level, we could randomize at a higher level, such as by the catchment area of a local labor market. Then, that catchment area would be in one of the treatment groups or the control group. That means all individuals within a local labor market that is assigned to the treatment are eligible for the same treatment. And if the labor market is assigned to the control, none of those individuals would be eligible for the treatment.

Discussion Topic 4

Managing Spillovers

1. If you were interested in measuring whether spillovers exist, and specifically the impact of spillovers, how might you design the experiment differently?

   Answer

   First of all you will need some background information. There were 235 private agencies, scattered in 10 regions of France that were selected to be part of the program. Each agency is considered to represent a small labor market, within with individual situations may interfere. It can be assumed that no spillovers can take place across agencies.

   Now, these agencies can be divided into groups of 5. Since there are 235 total agencies, we will have 47 groups of 5 agencies. Next comes randomization, which will have to be done at two different levels – first by area and then by individual. Among the groups of 5, we will have to randomly assign the level of treatment (proportion of people that receive treatment) for each agency – 0%, 25%, 50%, 75%, and 100%. After that the respective proportion of individuals in each agency will be randomly assigned to get treatment (excepting 0% where no one gets treated and 100% where everyone gets treated). The first randomization procedure ensures that all 47 agencies that have 0% treated are ex ante similar to those with 25% treated and so on. The second randomization procedure ensures that individuals who get assigned to treatment are ex ante similar to those who don't.

   See figure below:

FIGURE 3