The Impact of Counseling and Monitoring on Unemployment in the Netherlands

Researchers:

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Sector(s): Labor Markets

Location: 2 of the largest cities in the Netherlands

Sample: 394 unemployment insurance beneficiaries

Target group: Job seekers

Outcome of interest: Employment

Intervention type: Job counseling Monetary incentives

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In recent years, governments in developed countries have increasingly used “active labor market policies” in an attempt to help the unemployed find work, prevent long-term unemployment, and reduce government expenditures on unemployment benefits. Researchers examined the impact of a job search counseling and monitoring program on job search activities and the duration of unemployment in the Netherlands. They found that the program had no impact on unemployed individuals’ chances of finding a new job. However, monitoring prompted unemployed individuals to better use of formal job search channels.

Policy issue

In recent years, governments in developed countries have increasingly used "active labor market policies" in an attempt to help the unemployed find work, prevent long-term unemployment, and reduce government expenditures on unemployment benefits. Some common active labor market policies include providing job search counseling and/or monitoring to unemployed workers. If these services can help increase the efficiency of job searches, they could potentially help increase the rate at which the unemployed find work and reduce the duration of their unemployment. Yet, there is little evidence about the impact of counseling and monitoring on re-employment, and whether active labor market policies have different impacts for workers with better or worse labor market connections.

Context of the evaluation

In the Netherlands, 70 percent of the working population is eligible to receive benefits from the national Unemployment Insurance (UI) system when they face unemployment or a reduction in their working hours. Workers younger than 65 who face a reduction of at least five working hours per week and have held a regular job over the past six months qualify for benefits equal to 70 percent of the worker' s last wage or 70 percent of the Dutch minimum wage depending on the individual' s work history. UI beneficiaries are required to register as a job searcher at the public employment office, accept any appropriate job offer, and participate in education and training.

When individuals apply for UI benefits, they are classified according to their ability to find work. Type I individuals are expected to have sufficient skills to find a job. They make up about 60 percent of beneficiaries Type II and III individuals are not considered to have the skills to find work without additional training or schooling and make up about 40 percent of beneficiaries. In 1998, the

Dutch government mandated that all Type I UI beneficiaries receive counseling and monitoring (CM) at their local UI agency. At the time of the study, about 10 percent of the labor force was unemployed in both cities where the study took place, although general labor market conditions were favorable at the time.



Young people trying to return to work

Aude Guerrucci

Details of the intervention

Researchers examined the impact of a CM program on job search activities and the duration of unemployment for Type I UI beneficiaries in two large cities in the Netherlands. In each city, researchers identified a local UI agency that had a high inflow of new beneficiaries and an established CM program. Half of unemployed workers who started collecting benefits from these agencies between August and December 1998 were randomly selected to receive a program of counseling and monitoring, while the other half served as the comparison group. UI beneficiaries from both the treatment and comparison groups were required to send in weekly reports of their job search activities to the UI agency to maintain eligibility.

Individuals randomly selected to receive CM were required to come to an intake meeting at the local UI agency where a counselor reviewed their job application letters and resume and made a job search plan for them to complete by the next meeting. They were then required to attend monthly follow-up meetings with the counselor for six months focusing on applications to specific vacancies and employers. At each meeting the counselor assessed whether the individual followed the previous month' s job plan and worked with him to develop the next month' s plan. If he did not follow the plan or did not otherwise adhere to the guidelines, the counselor could impose a temporary 10 percent reduction in his UI benefits.

Researchers use UI administrative data from monthly meetings, weekly reports, and a follow-up survey to test the impact of CM on job search activities and re-employment.

Results and policy lessons

Impact on job search methods: Monitoring led unemployed individuals to substitute formal job search activities for informal ones. Individuals who received CM made more use of formal job search channels like public employment offices, commercial employment agencies, the local UI agency, and job advertisements in newspapers than job-seekers in the comparison group. Comparison individuals were more likely to use informal job search channels like referrals through friends and relatives.

Impact on re-employment: Counseling and monitoring had no significant effect on the rate at which unemployment beneficiaries found new jobs. The follow-up survey showed that the counseling meetings did not include substantial job search advice or assistance, but instead primarily focused on the quantity of job applications to be completed and discussions about UI benefits. These findings suggest that low-intensity CM programs have little impact on re-employment, but that more evidence is needed to assess whether higher-intensity CM programs could impact re-employment.

Researchers concluded that since CM only affected Type I individuals' job search activities and not their ability to find work, CM programs may make more sense for Type II and III individuals who have fewer informal connections to the labor market.

van den Berg, Gerard, and Bas van der Klaauw. 2006. "Counseling and Monitoring of Unemployed Workers: Theory and Evidence from a Controlled Social Experiment." International Economic Review 47(2006): 895-936.