Monetary Transfers to Disadvantaged Youth in France (RCA)

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Sector(s): Labor Markets, Social Protection

Location: Strasbourg, France

Sample: 5,498 youth ages 18-23

Target group: Job seekers Youth

Outcome of interest: Employment Take-up of program/social service/healthy behavior

Intervention type: Cash transfers Job counseling Conditional cash transfers

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Partner organization(s): Fonds d'expérimentation pour la jeunesse (FEJ)

In 2012, one in four French youth were unemployed. Those who did have jobs were often in low-wage, temporary positions. Researchers evaluated whether a conditional cash transfer targeted to youth aged 18 to 23 could encourage participation in a job placement program and ultimately help them secure longer-term, higher-paying positions. The cash transfer increased participation in the job placement program but did not increase participants' job search efforts or employment rates. In the short run, the transfers had a negative impact on employment.

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Youth in France and other European countries often have difficulty finding and maintaining long-term jobs. Youth may lack the social networks that can provide them with information about job vacancies, connect them to potential employers, and help them gain a realistic understanding of employers' expectations. To address this problem, many government agencies and non-profit organizations offer job placement services. By helping youth identify job opportunities and providing support throughout the application and interview process, these programs might help youth find permanent, career-advancing positions, but youth often choose not to participate. Youth may not recognize the benefit of participating in a program in the present when they will receive the majority of the benefits in the long term. Participating in a job placement program requires significant time, which youth may feel is better spent in a low-skill and low-pay job.

Providing youth with a small stipend contingent on remaining in a job placement program may boost participation rates. Conditional cash transfers have been used and evaluated extensively in education and health policy in developing countries.

These programs, often targeting families with children and adolescents, have proven to be a successful strategy to encourage them to attend school and visit healthcare providers. This is one of the first studies to evaluate whether a conditional cash transfer can increase participation in a job placement program and whether participation can ultimately help youth secure better jobs in a developed country context.

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France has a high youth unemployment rate: approximately 24 percent of youth aged 15 to 24 were out of work in 2012. Many of these young people left secondary school without receiving a diploma, making it more difficult for them to find a permanent job.

In 2005, the French government launched a national job placement program for youth, *Contrat d'insertion dans la vie sociale* (CIVIS) implemented through youth centers, local non-profits running job placement programs throughout the country. Participants signed a one-year contract outlining their responsibilities and the different services they were entitled to receive. Youth were expected to meet a counselor every month to establish a career plan and identify training courses, internships, or employment opportunities. However, CIVIS had low attendance and high dropout rates. To improve participation and commitment with the program, the government launched an experimental cash-transfer scheme, the *Revenue Contractualisé d'Autonomie* (RCA).



A woman uses her phone while waiting in an employment office.

Photo credit: Shutterstock.com

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Researchers evaluated whether a conditional monthly stipend, the Revenue Contractualisé d'Autonomie (RCA), could improve participation in a job placement program offered by youth centers and ultimately help youth secure better-paying and longer-

term jobs.

Researchers randomly allocated 82 youth centers across France into one of two groups. At half of the centers, all youth who enrolled in the CIVIS program in February 2011 were offered a new two-year contract to receive a monthly stipend in addition to the services offered in the existing program (RCA track). Youth who enrolled in March 2011 were not offered stipends; these youth served as the comparison group (CIVIS track). In the other 41 centers, researchers reversed the procedure: youth enrolled in March were offered the RCA track and youth enrolled in February remained in the CIVIS track as the comparison group.

In total, the study included 5,498 young people. Youth who entered the RCA track received up to EUR 250 (around US$340) per month for participating in the job placement program. The stipend size declined as youth earned money from work and phased out completely if the participant attained a full-time job earning at least minimum wage.

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The conditional monthly stipend increased participation rates in the job placement program but did not improve participants' job search efforts or ultimate job prospects. In the short run, stipends had a negative impact on employment.

The monthly stipend increased participation in the job placement program. Of the 2,661 youth offered a contract with a stipend, 82 percent signed the contract. These RCA track youth spent, on average, 21.7 months in the program, compared to 12.1 months for those in the CIVIS track. Those receiving stipends also attended more counseling sessions in the first year—14.6, compared to 8.1 for regular CIVIS program youth.

Increased participation did not result in improved job search efforts or better jobs. Two years after the beginning of the program, youth in the RCA track did not increase their job search efforts by participating in training courses, taking on internships, or responding to job offers, and were no more likely to find work than youth in the CIVIS track.

For the program's first six months, the stipend negatively impacted employment rates. Youth who received monthly stipends worked, on average, 2.1 months during the first six months. Those in the CIVIS track worked an average 2.31 months, equivalent to 9 percent longer than the stipend group.

Results show that the monthly stipend was not effective in improving job search effort or employment, and that in the short-term it acted as a disincentive for work. Youth received monthly stipends automatically, regardless of their real commitment to finding better work. In addition, youth may have been discouraged from looking for paid work in the short run, since the stipend size declined as they began to earn labor income. In future iterations of the program, researchers may evaluate the effect of tying stipends to employment achievements and allowing for a greater accumulation of stipends alongside employment income.

http://www.povertyactionlab.org/publication/revenu-contractualis%C3%A9-d%E2%80%99autonomie-rapport-final