# The Role of Reference Letters and Skill Accreditation in the South African Labour Market

**Researchers:**

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**Sector(s):** Firms,  Labor Markets

**Location:** Gauteng, South Africa

**Sample:** 441 job seekers (Experiment 1); 1267 job seekers (Experiment 2); 498 job seekers (Experiment 3); all aged 18-34

**Target group:** Job seekers Youth

**Outcome of interest:** Employment

**Intervention type:** Information Certification

**AEA RCT registration number:** AEARCTR-0000819

**Data:** www.aeaweb.org

**Research Papers:** The Value of Reference Letters: Experimental Evidence from South Africa

**Partner organization(s):** South African Department of Labour

Employers in the low-skill and entry-level job market often lack information on job seekers' abilities, which can reduce interview invitations and job offers for job seekers, especially for disadvantaged groups such as women. Researchers partnered with the South African Department of Labour to evaluate the impact of reference letters on employer response rates and on employment outcomes for unemployed young people. Including a standardized reference letter from a former employer increased callbacks from an application, especially for women, and it increased women's employment rates. However, job seekers may refrain from submitting reference letters because they underestimate the potential benefits of doing so.

## Policy issue

Job seekers who apply to low-skill and entry-level jobs often have limited work experience and can lack educational degrees, which can make it more challenging for prospective employers to accurately assess these applicants' qualifications. In many cases, employers may be more uncertain or underestimate the abilities of disadvantaged groups, such as women, which can worsen labor market inequality. One potential way to reduce this uncertainty is for job seekers to provide reference letters from former employers who can provide information on the applicant's abilities. However, there is relatively little research on whether reference letters can improve employer callbacks and employment rates.

## Context of the evaluation

This study takes place among job-seeking youth aged 18 to 34 in South Africa. The unemployment rate in South Africa was 26 percent as of 2015, and 37 percent for youth specifically.[1] The gender gap in employment among black South Africans is

substantial, despite the fact that black females are on average more educated than their male counterparts. This disparity might exist because firms underestimate or are more uncertain of the ability of female applicants. Despite the potential to increase candidate's chances of getting a response from employers, using reference letters seems to be uncommon in South Africa. Focus group discussions with job seekers revealed that less than 5 percent used a reference letter as part of the application process.



Young job seekers in South Africa.

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## Details of the intervention

Researchers partnered with the South African Department of Labour to evaluate the impact of reference letters on employment for youth. Specifically, they conducted three separate randomized evaluations to answer the following questions:

1. *Does submitting a reference letter lead to more calls back from employers? Does it help employers better gauge applicants' abilities?*In partnership with the Department of Labour, researchers encouraged 441 job seekers to obtain a reference letter. This entailed inviting the job seekers to a labor center, conducting a brief individual meeting to explain how to use reference letters in the job search, discussing potential references, providing hard copies of the reference letter template, and sending a text reminder a week later to get a reference letter. Between June 2015 and April 2016, researchers sent out applications on behalf of these job seekers with and without this reference letter to vacancies posted on South Africa's most popular job websites to measure whether or not including a reference letter would increase response rates from employers. The research team also compared these responses to aptitude test results for the job seekers to measure whether reference letters helped employers select more highly skilled applicants.

2. *Do reference letters help individuals acquire jobs when individuals use the letters as they see fit?*The research team randomly assigned 1,267 youth to either receive encouragement to acquire a reference letter or to be in a comparison group and not receive this encouragement. Researchers conducted two phone surveys, one five weeks and the other three months after treatment, to track job search activities and employment outcomes.
3. *Does providing money or information encourage job seekers to acquire reference letters?*To examine the factors that most influence job seekers' decisions to seek reference letters, the research team randomly assigned 498 youth who had already been encouraged to acquire a letter but had not yet done so to one of three groups. The youth received either (a) a text reminder to submit a reference letter and information on the benefits of reference letters, (b) a text reminder to submit a reference letter and a small amount of money, or (c) just a text reminder to submit a reference letter (comparison group).

## Results and policy lessons

Providing a reference letter increased the probability that job seekers would receive a response from employers. Encouraging job seekers to obtain a standardized reference letter from a former employer improved employment rates for women after three months. Results suggest that job seekers underestimate the benefits of using reference letters in their applications, and therefore do not seek them out.

1. *Reference letters increased the chance of getting responses from employers. Because more skilled candidates saw greater increases in response rates, these letters may also provide employers with more accurate information about applicants.* On average, the same applicant's chances of hearing back from an employer increased by 60 percent (from 4.2 percent to 6.7 percent) when their application included a reference letter. This increase was largest for women, whose chances of hearing back roughly doubled. Including reference letters also helped employers in the screening of applicants. Assessments from previous employers were strongly correlated with results from an aptitude test that the researchers administered, suggesting that reference letters included truthful information. Despite not seeing their aptitude score, the letter helped firms to identify applicants who scored higher on the aptitude test. Performing one standard deviation higher on the aptitude test increased the likelihood of an employer response by 2.6 percentage points for applicants including the reference letter, as opposed to 0.6 percentage points for those who did not include a reference letter.
2. *Encouraging job seekers to obtain reference letters increased employment rates for women after three months.* Women who were encouraged to obtain standardized reference letters were 13 percentage points (up 25 percent from a base of 53 percent) more likely to have a job interview and six percentage points (up 50 percent from a base of 12 percent) more likely to be employed than women in the comparison group. The encouragement did not influence interview invitations or employment rates for men or for job seekers on average.
3. *When encouraging job seekers to acquire reference letters, providing them with information on the value of reference letters was more effective than providing money.* Participants who received text messages with information on the benefits of reference letters were 12.6 percentage points (a 60 percent increase, from 21 percent to 33.6 percent) more likely to acquire reference letters than the comparison group. Providing money, however, had no impact. This suggests that job seekers underestimate the effect of reference letters on employer response and employment outcomes.

In the pre-Covid-19 pandemic period, the Harambee Youth Employment Accelerator, a South Africa-based social enterprise founded in 2011 to address a mismatch of demand and supply in the youth labor market by connecting employers with first-time job seekers, used the reference letter template in their in-person and virtual toolkit for job seekers. Harambee noted that it has been one of the most popular and most utilized tools by the job seekers they serve. Now, Harambee additionally features the reference letter template on their website and cell-phone friendly mobile site, making it available to the 1.5 million users

registered on the job seekers database.

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1. Statistics South Africa (2015)