Using Job Search Contracts to Help Job Seekers Return to Work in Germany

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Sector(s): Labor Markets, Social Protection

Location: Germany

Sample: 4,163 male job seekers

Target group: Job seekers

Outcome of interest: Employment

Intervention type: Commitment devices Information Job counseling Regulation enforcement programs

AEA RCT registration number: AEARCTR-0006368

Partner organization(s): German Federal Employment Agency

In Germany, job seekers entering unemployment sign a mandatory contract with their caseworker which specifies their rights and obligations in the job search process. Researchers partnered with the German Federal Employment Agency to evaluate the impact of these contracts on job search behavior and employment outcomes. The contracts accelerated job finding when introduced early in the unemployment spell rather than later, but were only effective among less employable job seekers.

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Since the 1990's, several European countries introduced active labor market programs (ALMPs) to combat unemployment. These programs aim to help job seekers find work by providing job-search counseling, subsidized employment, on-the-job training, or further education. Often, job seekers entering unemployment are required to sign an integration agreement with their caseworker, which is a written contract that specifies their rights and obligations in the job search process, such as the activities they are expected to complete. Do requirements, which can be time-consuming, encourage job seekers to intensify their search efforts soon after signing the contract and help them find a job faster?

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In Germany, job seekers who have been working and paying social security contributions are entitled to receive unemployment benefits. Job seekers must register at a local employment agency and attend meetings with a caseworker who follows their job search process. During their first meeting, the caseworker generally assesses job seekers' reemployment prospects, considers whether active labor market programs could help them find employment, and signs a mandatory integration agreement detailing the required job-search efforts. If the job seekers fail to comply with the contract, caseworkers can sanction them by reducing or cutting their unemployment benefits.



A job applicant in Germany

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In 2012, researchers partnered with the German Federal Employment Agency to evaluate the impact of integration agreements on job search behavior and employment outcomes.

The sample included male job seekers aged over 25, who were not disabled and who were at least reasonably likely to find employment within a year. From a sample of 4,163 job seekers registered as unemployed in five employment agencies, researchers randomly assigned participants to one of the following groups that varied in the timing of the integration agreement:

- **First month**: job seekers signed the contract within the first month after entering unemployment;
- **Three months, with previous notice**: job seekers signed the contract after three months of unemployment and were informed at the beginning of the unemployment spell that they would have to sign a contract after three months. The delay between the notice and the actual signing allowed researchers to test for effects on job seekers' behavior in anticipation of the integration agreement;
- **Three months, without previous notice**: job seekers signed the contract after three months of unemployment, but they did not receive previous notification;
- **Six months**: job seekers signed a contract after six months of unemployment, without receiving any previous notification.

Researchers collected administrative data over two years on job seekers' unemployment benefits, participation in activation programs, meetings with caseworkers, employment status and duration, and wages. Additionally, they collected survey data six to

eight weeks after randomization on job seekers' personality traits (such as self-assessed patience and discipline), expectations of finding a job, and job search behavior.

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Researchers are still analyzing data for a complete analysis — all results reported below are preliminary.

Integration agreements helped job seekers find work sooner when they were introduced early in the unemployment spell but were only effective for less employable job seekers. Relatively disadvantaged job seekers who signed integration agreements within the first month of their unemployment spell were eight percentage points more likely to find a job within twelve months of entering unemployment than those who signed the contract after six months of unemployment, from an average of 53 percent. Job seekers with good employment prospects did not benefit from having an earlier integration agreement.

These results suggest early integration agreements were not equally beneficial for all job seekers, highlighting the importance of carefully selecting participants who will benefit most from such programs.

Use of Results:

Based on this evidence, in December 2015 the German Federal Employment Agency gave discretion to caseworkers to decide whether to sign an integration agreement with job seekers with good employment prospects during the first three months of unemployment.