Providing Job Search Information to Improve Job Seekers' Employment and Earnings in Germany

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Sector(s): Labor Markets

Location: Germany

Sample: 53,753 job seekers

Target group: Job seekers

Outcome of interest: Earnings and income Employment

Intervention type: Information

Research Papers: Learning about job search: A field experiment with job seekers in Germany

Partner organization(s): Institute for Employment Research at the German Federal Employment Agency (IAB-ITM)

Informational barriers and motivation-related challenges can make it difficult for job seekers to effectively search for work. Researchers conducted a randomized evaluation to test the impact of providing recently unemployed individuals informational brochures about job search strategies that motivated an active search on their labor market outcomes. Providing informational brochures improved the employment and earnings of job seekers who exhibited an increased risk of long-term unemployment but had no measurable effects on the general population.

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Job search can be a complex and daunting endeavor. There are many informational barriers and motivation-related challenges that can make it difficult for job seekers to know where or how to effectively search for work. Job seekers need to consider how much effort to exert when searching for jobs, which avenues to use in their search, and what types of jobs to apply for. However, there can be limited information and feedback about these topics, including the returns to search effort and the consequences of staying unemployed. Additionally, the search process can put a strain on individuals' self-confidence and willpower; besides the general frustration caused by the loss of a job, job seekers may need to overcome discouragement from rejected applications. Can providing unemployed individuals with information about the job search process and consequences of unemployment and motivating them to actively look for a job improve their employment prospects and earnings?

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Combatting long-term unemployment is a key policy objective of many policymakers and researchers, including in Germany. To illustrate this, the Hartz reforms—arguably the most comprehensive post-war labor market reforms in Germany—were implemented between 2003 and 2005 with an explicit goal of reducing long-term unemployment. In 2010, when this study began, Germany had an unemployment rate of 6.7 percent; of those unemployed, 47.3 percent were experiencing long-term

unemployment.[1]

Upon registering as unemployed in Germany, job seekers are given an information and counseling package from the employment agency. The package varies by local job agency, but the focus tends to be on explaining the rights and duties of registering as unemployed, including information on benefit entitlements, duration, and possible penalties. However, the standard package contains very little information on the job search process and strategies.

For this study, researchers focused on German-speaking citizens to rule out language difficulties. Additionally, the intervention focused on individuals aged 25 to 50, excluding civil servants, self-employed individuals, and those who had already found a job before the intervention started. Taken together, participants had relatively low labor market prospects: On average, they had been unemployed for almost 900 days during the previous 10 years and earned €1,580 (about US$2,100) per month in their last job before registering as unemployed.[2]



Job seekers talk with employers at a job fair in Germany.

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Researchers partnered with the Institute for Employment Research at the German Federal Employment Agency (IAB) to test the impact of providing job seekers information about the job search process and motivating them to look for a job on their employment and earnings.

Between October 2010 and January 2011, the IAB randomly assigned individuals who had registered with the German Federal Employment Agency during the previous three to seven weeks into either an intervention (13,471 job seekers) or a comparison group (40,282 job seekers).

Four to eight weeks after they entered unemployment, job seekers in the intervention group received a mailed brochure with concise and easy-to-understand information about the current labor market situation that aimed to facilitate their job search and to provide encouragement and motivation. The brochure comprised four sections as follows:

- Basic facts about the labor market environment in Germany, noting that the economy had begun to recover after a substantial decline the year prior and that many companies were hiring.
- Information about how the longer someone remained unemployed, the lower their job finding rates were. This section also emphasized the importance of personal search effort for successful job search and mentioned evidence that many people tend to underestimate the returns to search effort.
- Information on the negative relationship between unemployment and life outcomes related to health, family, and life satisfaction.
- Information on alternative search channels, including the relevance of social networks for finding a new job and complementary search channels such as online job search platforms. The text also mentioned that feelings of frustration during job search are normal and that job seekers should not be discouraged by rejected applications.

Researchers matched participants to administrative data assembled by the IAB spanning from 2001 to 2012. The administrative data provided information on employment status, earnings, occupations, as well as personal characteristics such as birth year, gender, and education.

Additionally, using data from the comparison group the year after the intervention, researchers classified a sub-group of the sample as being at risk of long-term unemployment, as recent evidence highlights the link between the prevalence of behavioral biases and longer unemployment duration. The researchers speculated that the behavioral and informational challenges the brochure addresses might have particularly strong effects for the subset of individuals who were at risk for being unemployed for an extended period of time.

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Providing informational brochures to job seekers improved the employment prospects and earnings of individuals who exhibited an increased risk of long-term unemployment but had no measurable effects on the general population.

Impact on employment prospects: One year after the intervention, job seekers who received informational brochures in the at-risk group had accumulated more than four additional days of employment on average compared to their counterparts in the comparison group who worked an average of 111 days over the year. There was no impact on employment prospects among the general population.

Impact on earnings: At-risk job seekers earned an average of €446 (US$593) more than their counterparts in the comparison group who earned about €10,197 (US$13,562) during the year. Additionally, findings suggest that the treatment did not shift individuals disproportionally into low-wage jobs, nor did it affect the earnings of the general population.

Timeline: These effects were most pronounced in the second six months after the beginning of the intervention, around when job seekers' unemployment benefits expired. This was likely due to a combination of two factors: individuals increased their search efforts shortly before their unemployment benefits expired and/or they chose to negotiate a later start date after securing a job, to continue receiving unemployment benefits while they could.

These results suggest that targeting information provision can be a cost-effective way to improve labor market prospects for job seekers at risk of long-term unemployment. The intervention was low cost, with total costs of production and mailing less than €1 (US$1.33) per brochure. More research is needed to understand the channels through which sharing information and encouraging job search can improve the labor market outcomes of subgroups of job seekers.

1. OECD Data, “Unemployment Rate” and “Long-term unemployment rate,” Organisation for Economic Co-operation and Development, accessed November 3, 2020. https://data.oecd.org/unemp/long-term-unemployment-rate.htm.

2. 2010 exchange rate of US$1.33/€1 used. Source: Exchange Rates UK, “Euro to US Dollar Spot Exchange Rates for 2010, accessed November 3, 2020. https://www.exchangerates.org.uk/EUR-USD-spot-exchange-rates-history-2010.html.