Impact of Recruiting Services on Firms' Job Postings and Hiring in France

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Sector(s): Firms, Labor Markets

Location: France

Sample: 7,438 firms

Target group: Job seekers Small and medium enterprises

Outcome of interest: Employment

Intervention type: Information Recruitment and hiring

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Partner organization(s): Pôle Emploi

Recruiting costs may discourage firms from hiring. Researchers in France studied whether government-provided recruiting services would impact firms' job postings and hiring by lowering recruiting costs. The recruiting services decreased firms' hiring costs and increased firms' job postings and hiring, including much sought-after permanent-contract hires.

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Firms' recruitment costs–including the cost of gathering information, screening candidates, and integrating new hires–may play a critical role in determining employment. Intermediation services that help firms with the hiring process, such as those offered by temp agencies or public employment services (PES), may be one effective way of reducing recruitment costs and increasing employment. While past research shows that job-search assistance or training programs for jobseekers can be effective in increasing employment,[1] there is little evidence on the effectiveness of similar services for firms. Can intermediation services targeted at reducing firms' recruitment costs improve employment outcomes?

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France has had persistently high unemployment relative to other higher-income countries since the 1990s.[2], Between 2014 and 2016, the years this study was conducted, unemployment was consistently greater than ten percent.[3] Among French jobseekers, the vast majority are searching for permanent contracts. In France, these long-term contracts grant employees greater access to housing and credit, but can be costly for firms to break. In the context of this study, 44 percent of firms surveyed at the start of the evaluation had hired someone in a permanent contract in the past eight months.

Between the onset of the 2008 Great Recession and 2015, France's Public Employment Service (PES, *Pôle Emploi*) almost exclusively focused on aiding jobseekers rather than firms, providing financial support as well as job counseling and recruitment services.

In 2015, *Pôle Emploi* expanded its support for firms by introducing the following free and extensive recruiting services:

1. Help drafting and posting vacancy announcements
2. Access to the *Pôle Emploi* candidate and CV list
3. Information on local labor market characteristics
4. Pre-selection, pre-screening, and verification of candidates
5. Evaluation of jobseekers for otherwise unobservable traits
6. Trial simulations or immersions of jobseekers in firms
7. Support conducting interviews
8. Subsidized pre- or on-the-job training

Pôle Emploi is the largest, though not the only, outlet for job vacancies on the French job market.

Firms participating in this study were generally small in size: Nearly three-quarters of firms participating in this evaluation had fewer than 26 employees. The majority of firms were concentrated in services and commerce, and just over a quarter of them were in manufacturing and construction. Only about 10 percent of firms had posted a vacancy through *Pôle Emploi* at the start of the evaluation.



A woman interviews for a job.

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Researchers partnered with *Pôle Emploi* to study the impact of recruitment services for firms on employment outcomes. The intervention began in 2014 as a 6.5-month pilot of *Pôle Emploi's* planned expansion of robust firm services. Researchers worked with *Pôle Emploi* to identify 129 local employment offices, representing all 22 mainland French regions. Researchers used *Pôle Emploi's* annual Labor Needs survey and their jobseeker registry to present local employment offices with a list of firms to potentially include in the study based on firms' labor needs and local jobs available. Then, counselors in these offices used their knowledge of local firms' labor needs to identify 7,438 unique firms for the researchers to randomize into two groups:

- *Intense outreach*: *Pôle Emploi* counselors proactively contacted local firms to arrange "in-depth interviews" during which they would pitch *Pôle Emploi's* new package of expanded services to the firm. Counselors encouraged firms to use the newly expanded services to create new vacancies for jobs with permanent or open-ended (rather than temporary) contracts.
- *Status quo*: *Pôle Emploi* counselors were not allowed to proactively contact firms in this group during the 6.5-month program period, but firms were still provided services if they requested them. After the program period, *Pôle Emploi* could initiate contact with firms to proactively offer them the expanded bundle of services.

Researchers measured the effect of the intervention on vacancy postings, applications made, and hires and their job characteristics (including contract type) between 2014-2016 using administrative data from *Pôle Emploi*. Researchers monitored whether job applications were mediated by *Pôle Emploi* counselors or were sent by jobseekers or firms on their own. Researchers also tracked all hiring flows, including those outside *Pôle Emploi*, using legally required hiring declarations.

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Public employment services aimed at reducing firms' recruitment costs led firms to post more jobs and hire more workers.

Pôle Emploi meaningfully increased its outreach to targeted firms during the program. Firms in the intense outreach group were five times more likely to be visited and 1.5 times more likely to be called by *Pôle Emploi* during this period than they were at the beginning of the program.

Firms that were offered recruitment services made 24 percent more job vacancy postings through Pôle Emploi *relative to firms not offered recruitment services.* Importantly, the largest increase in postings–a 24 percent increase over the average number of postings in the status quo–was for permanent-contract jobs, the most desirable type of posting for jobseekers. Job postings among program firms were 12 percentage points more likely to be for low-skill positions after the program was implemented, though there was no significant difference in wages between job postings among firms offered recruitment services and those that were not.

Most of the job vacancies created as a result of the program were created with the help of Pôle Emploi's *recruitment services*. Specifically, most job vacancies created by firms that received the program made use of *Pôle Emploi's* candidate prescreening and filtering services. Further, *Pôle Emploi* counselors helped firms screen for difficult-to-observe qualities in candidates. As a result, firms seem to have received fewer but higher quality applications.

The program resulted in a 10 percent increase in permanent contract hires of registered jobseekers, and program firms increased both the number and the duration of their hires. Importantly, a large proportion of these permanent contract hires were still employed 12 months later. Fixed-term contract hires did not increase as a result of the program.

Researchers expected the benefits of their program to be larger in labor markets with fewer jobseekers relative to available jobs because employers in those markets are likely to have the most trouble hiring enough high-quality workers. However, they found that the program had a similar impact regardless of whether labor markets had many jobseekers relative to available jobs or fewer jobseekers relative to available jobs.

While this program increased employment among firms participating in the study, it might have also indirectly impacted firms not included in the evaluation by changing the prevailing labor market conditions. These “displacement effects” are important when considering the impact of the program on overall employment. The researchers found suggestive evidence that displacement effects existed, but that the program’s impact on overall employment was still positive.

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1. David Card, Jochen Kluve, and Andrea Weber. 2018. “What Works? A Meta Analysis of Recent Active Labor Market Program Evaluations." *Journal of the European Economic Association* 16, no. 3: 894-931. doi: 10.3386/w21431.

2. “Unemployment Rate: Aged 15-74: All Persons for France,” Federal Reserve Economic Data, Federal Reserve Bank of St. Louis, last updated March 13, 2020.“Unemployment Rate,” OECD Data, Organisation for Economic Co-operation and Development, last updated 2020.

3. “Unemployment Rate: Aged 15-74: All Persons for France,” Federal Reserve Economic Data, Federal Reserve Bank of St. Louis, last updated March 13, 2020.