Impact of Job Uncertainty and Work Experience on Job Seeker Performance, Employment, and Earnings in Malawi

Researchers:

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Sector(s): Labor Markets

Location: Malawi

Sample: 268 male job seekers

Target group: Job seekers

Outcome of interest: Earnings and income Employment Job mobility Mental health

Intervention type: Incentives Information Risk mitigation Recruitment and hiring

Partner organization(s): University of Michigan - Rackham Graduate School, University of Michigan Population Studies Center (PSC), University of Michigan

Worldwide, nearly 200 million people are unemployed,[1], and more than 230 million people who work still live in extreme poverty—earning less than US$1.90 PPP per day.[2] In Lilongwe, Malawi, researchers provided applicants for a health interviewer job with a random chance of receiving a back-up job, regardless of their success in being hired as a health interviewer, to measure (a) the impact of uncertainty on job search performance and (b) the returns to work experience on future employment and earnings. Job seekers performed better, despite lower job search effort, when they had higher job certainty. Job seekers who received a back-up job through the program had significantly higher daily wages for at least eight months following the program.

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Worldwide, nearly 200 million people are unemployed,[1], and more than 230 million people who work still live in extreme poverty—earning less than US$1.90 PPP per day.[2] Getting a job is a necessary but often insufficient step in leaving poverty.

Evidence from psychology and public health shows that stress can significantly reduce performance on a range of activities. In the labor market, job seekers sometimes become so discouraged that they stop searching for work. Programs that reduce job seeker stress could be a promising intervention to improve job seeker performance.

Young people, especially those who have never worked before, are at high risk of unemployment and low, stagnant wages. The negative impacts of unemployment and low wages can compound for these young people, as previous work experience is often an important prerequisite for higher wages.

In this study in urban Malawi, researchers seek to understand (a) whether job uncertainty negatively impacts job search performance among job seekers and (b) whether even short-term employment can help job seekers in a difficult job market secure future jobs and earn more.

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Urban labor markets in low- and middle-income countries often have high unemployment and low job stability. This study took place between 2010 and 2012 in Lilongwe, the capital city of Malawi. A nationally representative survey in Malawi conducted between 2010 and 2011 showed that less than a third of men between 18 and 49 years old surveyed had participated in economic activity in the past seven days. Almost half of Malawian men who had completed at least secondary school did not work at all the year this study started.

This study focused on young, relatively well-educated men, who still face very high levels of unemployment. Further, men who had completed secondary school reported significant financial responsibilities to others, including sending approximately 10 percent of their wages to other households.

On average, the men in this study were approximately 26 years old, and had completed 13 years of education. Almost 90 percent of the men had worked at some point in the past six months, but, on average, these men had worked for less than half of those previous six months. Men in the study reported average earnings of approximately US$206 in the three months prior to the baseline survey.



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Researchers conducted a randomized evaluation to measure the impact of job uncertainty on job search performance, and continued to follow their study participants to measure the impact of short-term work experience on future employment and earnings.

The researchers in this study worked together with a team that was already recruiting men to work as health interviewers. The most qualified applicants were invited for three days of further screening and training, and at the end of those three days some applicants would be offered a job as a health interviewer. At the beginning of the training, applicants were informed they might receive a back-up job offer in addition to the health interviewer job. Researchers randomized the probability of receiving this back-up job, such that applicants had a 0, 1, 5, 50, 75, or 100 percent chance of receiving the back-up job at the end of the three days of screening and training. Receiving the back-up job had no direct bearing on the likelihood of receiving a job as a health interviewer, and the pay and duration of the back-up job and the health interviewer job were identical. For example, if an applicant had a 100 percent chance of receiving the back-up job at the end of the three days of training, then he could also still be hired for the health interviewer job if he did well enough during the training, but he could only take one position.

In addition to the literacy and numeracy test, researchers also administered a baseline questionnaire covering work experience, employment perceptions, and time use. Applicants were tested on training material each day of the training. Test performance was the single most important factor in whether an applicant was offered a job. Researchers also measured applicant effort by tracking applicants' punctuality, handwriting, and contributions to training discussions. Last, applicants filled out a survey after training each day, recording their time use and their perceptions regarding employment.

Applicants who ultimately received a job through this program—either as a health interviewer or in one of the back-up jobs—worked five days for pay, and received a standardized reference letter at the end of their training.

Nine months after the first stage of the program was implemented, researchers followed-up with applicants through an intensive phone survey. The survey measured the men's job search activities, how they viewed their labor market prospects, and employment and wages since the program.

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Applicants who had the certainty of a guaranteed back-up job performed the best and exerted the least effort in training relative to applicants with either no chance or some chance of receiving a back-up job. Applicants who received a back-up job through the program earned on average US$4 more per day in the nine months after the back-up job.

Applicants guaranteed a back-up job did not try as hard during the training and screening as applicants who had no or some chance of receiving a back-up job. Applicants with a guaranteed job spent 25 fewer minutes per day studying than applicants with no chance of receiving a back-up job, and 20 fewer minutes per day studying than applicants with some chance of receiving a back-up job. Suggestive evidence indicates that applicants guaranteed a back-up job wrote less neatly and were more likely to be late than applicants with no chance of receiving a back-up job.

Despite their lower effort, applicants guaranteed a back-up job performed better than their peers without job guarantees. Experimental and suggestive evidence indicate that the mechanism behind this seeming paradox is "choking under pressure," or performing worse under high pressure relative to low pressure. Job seekers with no chance of receiving a back-up job performed consistently and significantly worse on the training material tests than job seekers guaranteed a back-up job. Job seekers with a guaranteed back-up job were most likely to make "good" discussion contributions during training, while job seekers with no chance of receiving a back-up job were most likely to make "bad" discussion contributions during training.

Broadened social networks seem to have helped participants who received the back-up job earn more later. Participants who received the back-up job earned approximately US$4 more per day, on average. All applicants could have grown their social networks through the training, but applicants who received a back-up job were 22.2 percentage points more likely to have a job or referral from someone they met during the program.

Future research should evaluate whether programs such as unemployment insurance, by reducing job seeker stress, can improve employment outcomes. These findings also suggest the importance of further research into short-term training or re-

employment programs that incorporate work experience.

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