

# Private versus public placement of long-term unemployed job seekers

Lionel Cottier<sup>1</sup> Pierre Kempeneers<sup>2</sup> Yves Flückiger<sup>2</sup> Rafael Lalive<sup>1</sup>

<sup>1</sup>University of Lausanne, Switzerland

<sup>2</sup>University of Geneva, Switzerland

## Can a private placement firm be better at placing long-term unemployed job seekers than the public employment services?

WE study the case of outsourcing job placement of long-term job seekers to a private but non-profit firm in Switzerland. We use data from a randomized field experiment conducted in 2006-2007 together with social security data about individuals' earnings and unemployment spells.

Our contribution to the existing literature (Behagel et al., 2014; Benmarker et al. 2013; Krug et al., 2013) stems from our ability to exploit a rich dataset containing information on employment and earnings as well as from the long horizon considered.

### Key features of our study

- Randomized field experiment.
- Combines experimental data with administrative data on employment and earnings.
- Long-run program evaluation (5 years).

### Treatments (random allocation)

#### Public employment services

- Control group
- 1-2 caseworkers per 100 job seekers
- Passive monitoring
- "Low intensity"
- No financial incentives.

#### Private firm (Hestia)

- Treatment group.
- 5 employees per 100 job seekers.
- Active help.
- "High intensity"
- Financial incentives.

### Financial incentives for Hestia

- Receives 1000.– SFr a month per job seeker for the first six months ( $\approx 620\text{€}$ ).
- 500.– SFr for 7-18 months.
- 350.– SFr for 19 months and more.
- Max. 100 job seekers enrolled at a time.

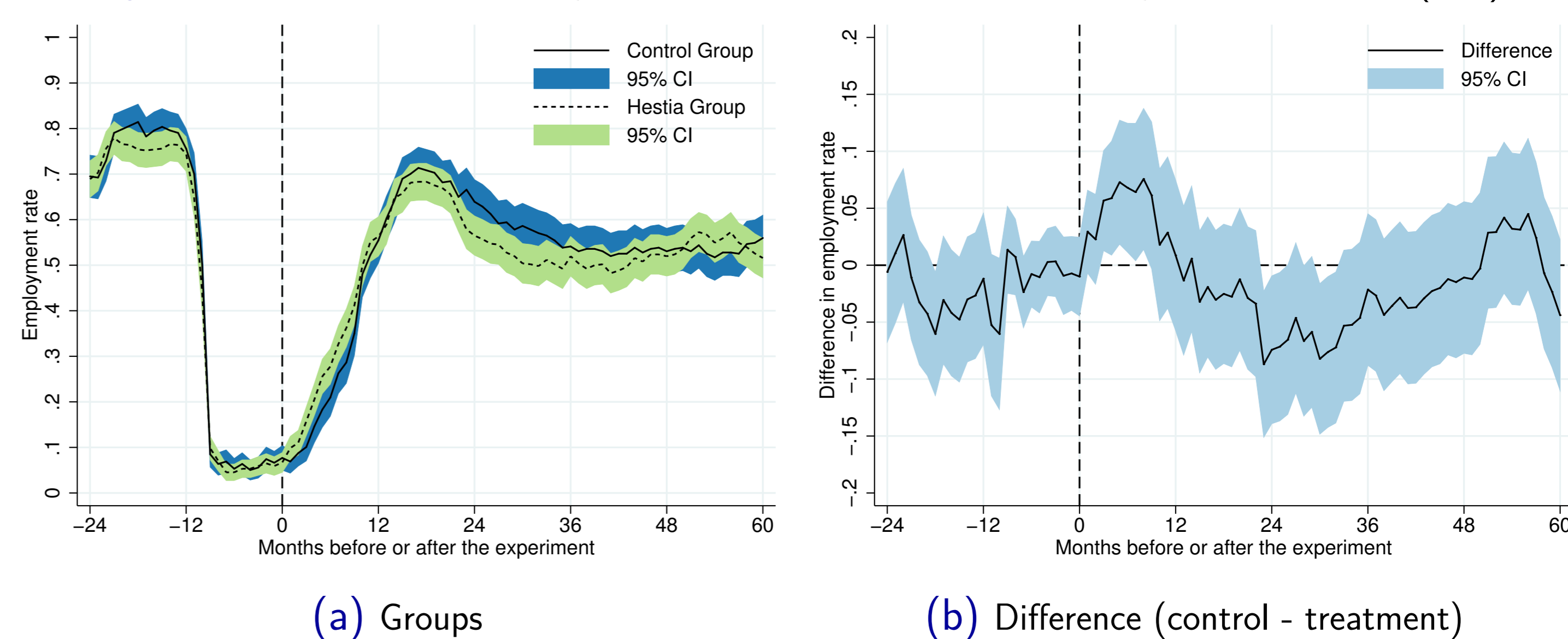
### Main findings

- Outsourcing job placement to a private provider significantly affects employment dynamics.
  - Positive effects in the short-run (0-1 year): better placement rate, less UB received.
  - Negative effects in the medium-run (1-3 years): higher job loss.
  - No effects in the long-run (3-5 years).
- Our paper features a similar analysis for earnings dynamics (wages, UB).
- Despite being a non-profit firm, Hestia responded strongly to the financial incentives.

### Related literature

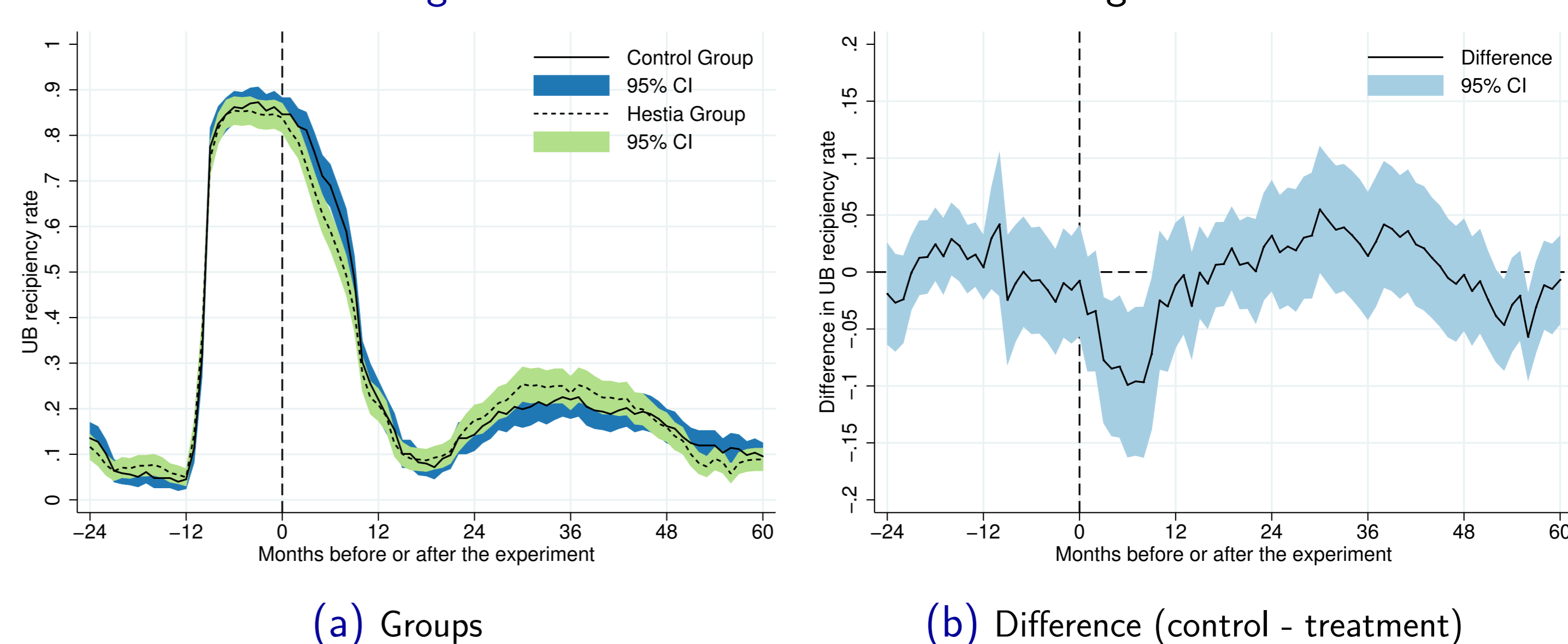
1. Behagel, L., Crépon, B., and Gurgand, M. (2014). Private and public provision of counseling to job seekers: Evidence from a large controlled experiment. *American Economic Journal: Applied Economics*, 6(4), 142–74.
2. Benmarker, H., Grönqvist, E., and Öckert, B. (2013). Effects of contracting out employment services: Evidence from a randomized experiment. *Journal of Public Economics*, 98(0), 68 – 84.
3. Krug, G. and Stephan, G. (2013). Is the contracting-out of intensive placement services more effective than provision by the PES? Evidence from a randomized field experiment. IZA Discussion Paper 7403, IZA.

Figure 1: Fraction of employed individuals without unemployment benefits (UB)



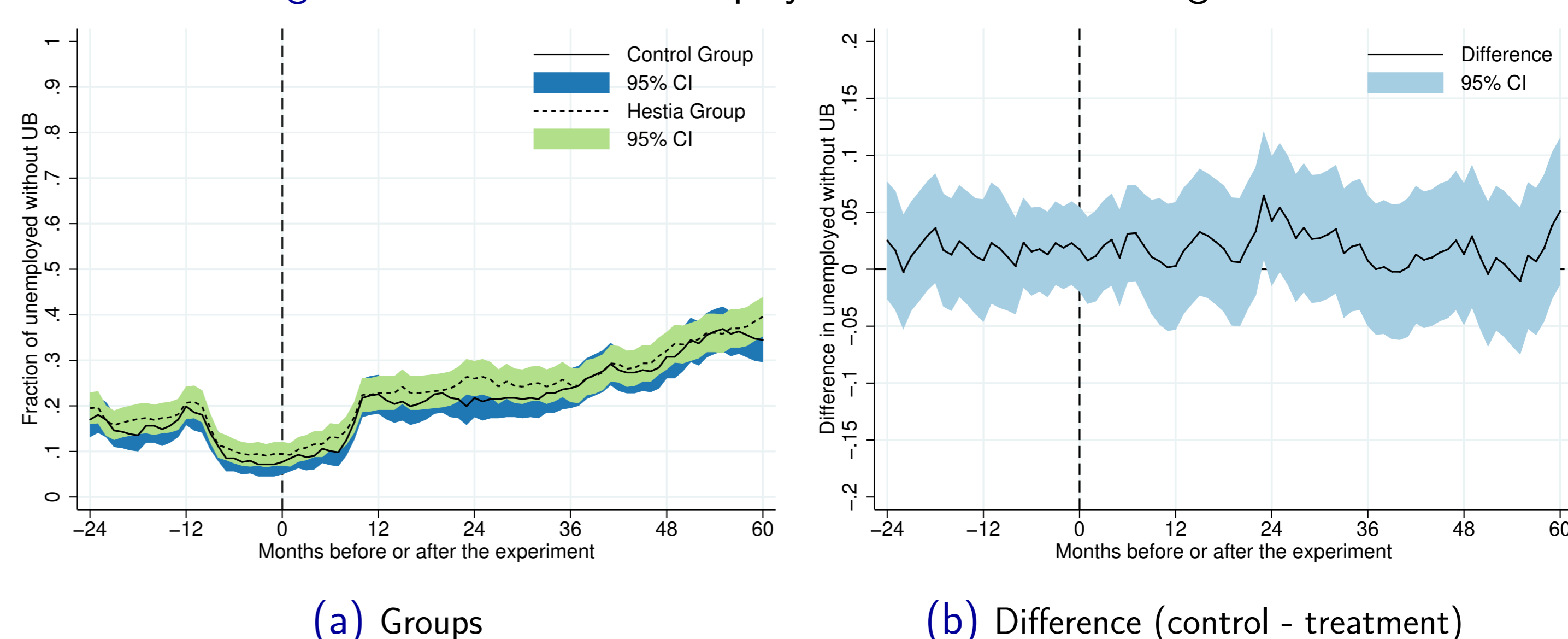
- Hestia places its job seekers faster in the short-run but their positions are not as stable as the publicly placed individuals.

Figure 2: Fraction of individuals receiving UB



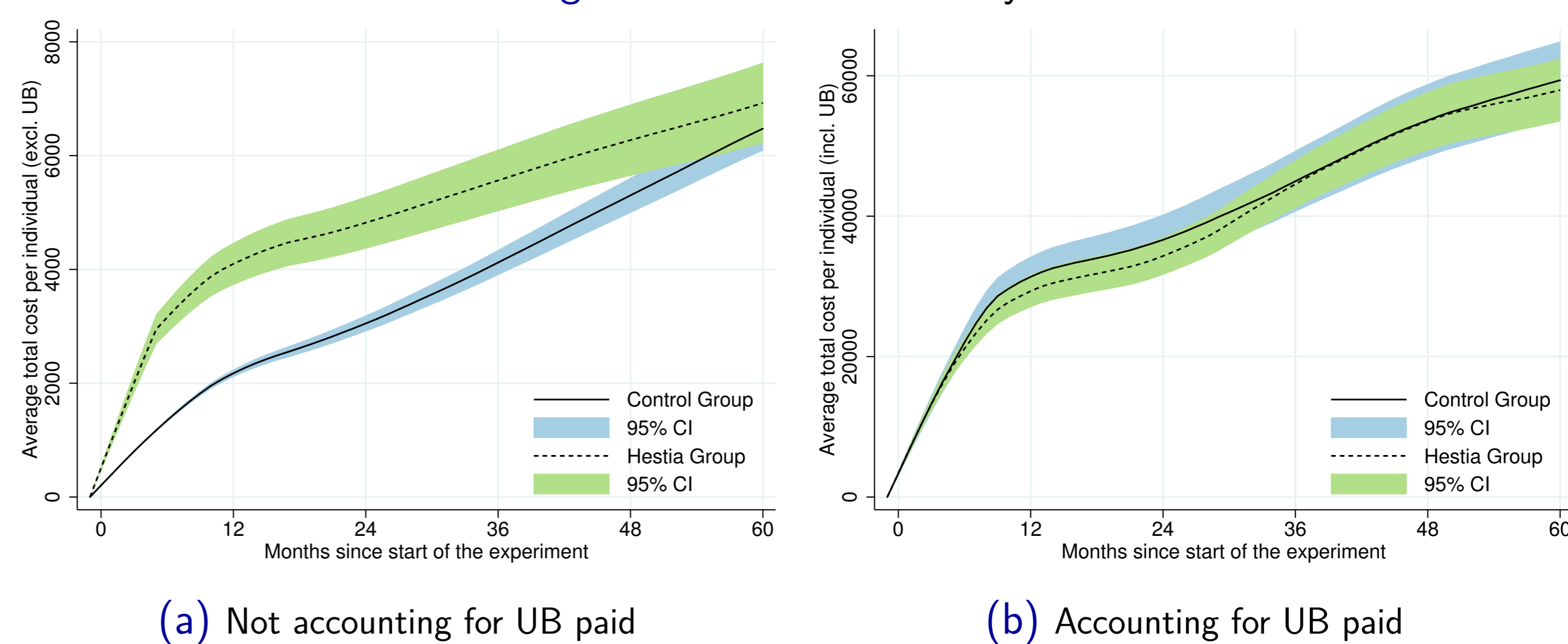
- Hestia pushes job seekers out of benefit rolls at a very high rate in the first 12 months.

Figure 3: Fraction of unemployed individuals receiving no UB



- No treatment effects on the fraction of individuals without work income or UB.

Figure 4: Cost-benefit analysis



- After accounting for the amount of UB paid to individuals, which is itself a result of the treatment, the two schemes are similarly costly.

