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Summary and Conclusions

This thesis consists of four chapters that empirically investigate the effects of labor market policies on individual outcomes. In this final chapter, each chapter is summarized and some conclusions are presented.

Chapter 2 compares different evaluation methods for estimating the effects of activation programs on job finding. In particular, it investigates whether selective participation in job search assistance programs remains a problem when a wide set of individual characteristics are observed and can be conditioned on. To answer this question, a large policy discontinuity in program provision in the Netherlands in 2010 is exploited. The discontinuity provides exogenous variation in program participation and can therefore be seen as a natural experiment and used to estimate how participation in the program affects job finding. Using non-experimental methods, such as matching or the timing-of-events model, the same program effects can be estimated. These methods do not exploit the policy discontinuity, but rely on conditioning on a wide set of observable characteristics to identify the program effect. A comparison of the results of two approaches provides evidence on the plausibility of the identifying assumptions of the non-experimental methods.

The experimental estimates show that enrollment in the program reduces outflow to work during the first three to five months after the program starts, while after five months there is no effect on job finding. The matching estimator also finds that the effect on job finding is negative in the short-run, but in addition suggests that the effect is significantly negative even after 12 months. We conclude that, especially in the case

of activation programs, where selectivity in participation is a large issue, even a large set of observed characteristics may not suffice to correct for the selection bias. A useful next step would be to investigate whether “soft” variables such as motivational measures or personality traits, which are less likely to be available in administrative data, are relevant for program participation and can solve the selection bias.

Chapter 3 describes the results of a field experiment on job search behavior. It investigates the effects of a web-based information intervention on employment prospects. Job seekers were invited to search for jobs in a computer lab for 12 consecutive weekly sessions. They searched for real jobs using a web interface that allowed to observe job search behavior in great detail. After three weeks, a manipulation of the interface was introduced for half of the sample. The manipulation consisted of providing suggestions of alternative occupations to consider, based on the profile of the job seeker. These suggestions were made using background information from readily available labor market transitions data.

Job seekers that used the alternative interface changed their search strategies. Those that were initially searching narrow (in terms of occupations) became significantly broader in their search, sent more applications, and have more job interviews. Those that were initially searching broad became more narrow, but their number of job interviews did not change. This implies that a policy of providing information based on labor market statistics might be beneficial to many job seekers, while being low cost and relatively simple to implement.

Chapter 4 focuses on spillover effects of job search assistance programs. Randomized experiments provide policy-relevant treatment effects if there are no spillovers between participants and nonparticipants. In this chapter it is shown that this assumption is violated for a Danish activation program for unemployed workers. Using a difference-in-difference model we find that the nonparticipants (in the regions where the program was offered) find jobs slower after the introduction of the activation program (relative to workers in other regions). This suggests that the increase in job finding of the participants is crowding out job finding of non-participants in the same region.

To investigate what this finding implies for a large-scale role out of the program, we extend an equilibrium job search model to include program participation. The model parameters are estimated to replicate the main empirical findings on the effects of the program. Simulation of the model suggests that if every unemployed job seeker

participates in the program, the program has no effect on job finding. Furthermore, a large-scale roll out of the activation program would decrease welfare while a standard partial microeconomic cost-benefit analysis concludes the opposite.

Chapter 5 investigates whether a higher level of childcare subsidies increases labor supply of mothers with young children. By exploiting a reform in the Netherlands that substantially increased childcare subsidies, the paper estimates the effect on labor force participation and hours worked. We find that, despite the substantial budgetary outlay, the reform had only a modest impact on employment. The joint reform increased the maternal employment rate by 2.3 %-points (3.0%) and maternal hours worked by 1.1 hours per week (6.2%). The results further suggest that the reform slightly reduced hours worked by fathers. We conclude that, given the large budgetary expansion of the childcare subsidies, the effect on labor supply of mothers with young children is modest.