

*Reemployment effects from increased activation:
Evidence from times of crisis*

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Outline

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Disclaimer

- Research project conducted with financial support from the European Union
- Sole responsibility lies with the author and the Commission is not responsible for any use that may be made of the information contained herein

Themes

Current high levels of unemployment raise interest on evaluation of *activation* programmes

- This project evaluates the impact of a large activation programme implemented in Portugal from early 2012
 - The programme involved a number of ESF-supported active labour market policies
- *Counterfactual* impact evaluation methodology used: *Regression Discontinuity* Design
- Importance of *capacity building* in evaluation methods and of collaboration between public administration and research centres

Activation literature

Activation programmes tend to increase transitions to employment (shorter unemployment durations)

- 'Stick and carrot' approach (including 'threat effects')
- But programmes so far evaluated implemented in good times
 - Effects can be weaker or stronger in bad labour markets
- References: Dolton and O'Neill (JoLE, 2002), Black et al (AER, 2003), van den Berg and van der Klaauw (IER, 2006), Graversen and van Ours (JPubEc, 2008), Petrongolo (JPubEc, 2009), Cockx and Dejemeppe (LabEc, 2012), etc
- Mixed evidence from previous CIE work on PT ALMPs (Porto and Lisbon Unis)

Convocatórias programme

Compulsory participation of unemployment benefit recipients (UBRs) in jobcentre meetings:

- Measure included in the public employment service reform programme (*RCM 20/2012 - 6.1 and 6.2 - March 2012*)
- Two UBR *targets*: aged 45+ years old or *registered for 6+ months*
- Jobcentre caseworkers had discretion as to meeting content and follow-up:
 - Some combination of job search monitoring, counseling, job interviews, and (ESF-funded) ALMPs (traineeships, job subsidies, workfare, self-employment incentives, and training)
 - New (ESF-funded) job subsidy, from February 2012 (*Estímulo 2012*)

Background of relatively generous UBs, relatively soft monitoring and depressed labour market

Data sets

IEFP (the Public Employment Service)

- Monthly data on all unemployed individuals enrolled in jobcentres by Feb 2012 and all newly registered unemployed (March 2012 to March 2013)
- Record of most PES activities conducted, including *Convocatórias*
- Several individual-level variables (gender, age, schooling, etc)
 - 4 million observations, 960k UBRs, 80k programme participants

II (the Social Security data agency)

- Monthly data on wages and UBs of all individuals recorded in PES data set, employed or unemployed (Feb 2012 to Feb 2013)

Characteristics of the unemployed, by month of participation

Year	Month of participation	Age	Female	Schooling years	Married	Obs	
2012	Mar	36.27	.44	7.30	.47	7588	
	Apr	35.87	.45	7.68	.49	16931	
	May	34.34	.50	10.28	.45	16492	
	Jun	34.41	.56	11.78	.42	12657	
	Jul	34.32	.53	10.63	.42	6696	
	Aug	34.15	.50	9.70	.42	4921	
	Sep	34.02	.49	9.75	.42	4781	
	Oct	34.54	.51	9.76	.43	4649	
	Nov	34.16	.51	10.33	.40	2294	
	Dec	34.71	.50	9.67	.44	419	
	2013	Jan	34.83	.52	9.98	.51	1364
		Feb	35.15	.54	10.29	.49	1273
Mar		34.30	.55	11.20	.47	775	
Total		34.85	.50	9.62	.45	80840	

Key variables

- Main outcome variable: reemployment probability
 - Dummy variable equal to one if the individual becomes reemployed over the following month
- Treatment variable: having participated in *Convocatórias*
 - Dummy variable equal to one if the individual is treated in that month
- 'Forcing' variable: (centered) UB duration
- Eligibility variable: UB duration equal or higher than 6 months
- 'Explanatory' variables: age; gender; marital status; foreigner dummy; max potential UB duration; schooling; daily UB amount; jobcentre dummies; calendar month dummies

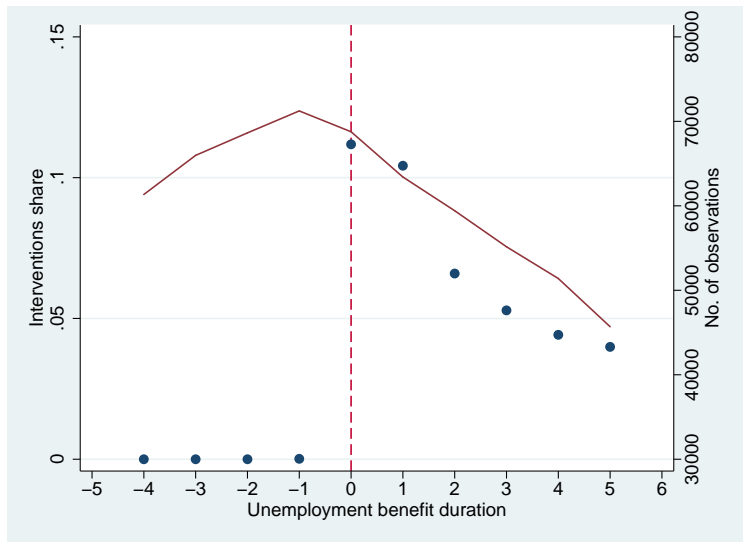
Main data set

- Selection criteria - UBRs...
 - on regular UB
 - not older than 44
 - at least one year of potential UB duration
 - UB spell at between the first and twelfth month
- 711,849 (individual-month) observations, corresponding to 111,588 individuals.
- 24% participated in *Convocatórias*.

RD

- Unemployed are eligible to participate in the programme when they reach an UB duration of at least 6 months
- Identification based on the discontinuity of the treatment around the threshold of UB duration of 6 months
- Identifying assumptions (RDD as a local randomized experiment):
 - The forcing variable (UB duration) is continuous around the threshold
 - The probability of treatment is discontinuous at the threshold
 - There are no other discontinuities at the threshold
 - The outcome variable is a continuous function of the forcing variable around the threshold

Probability of treatment and number of observations

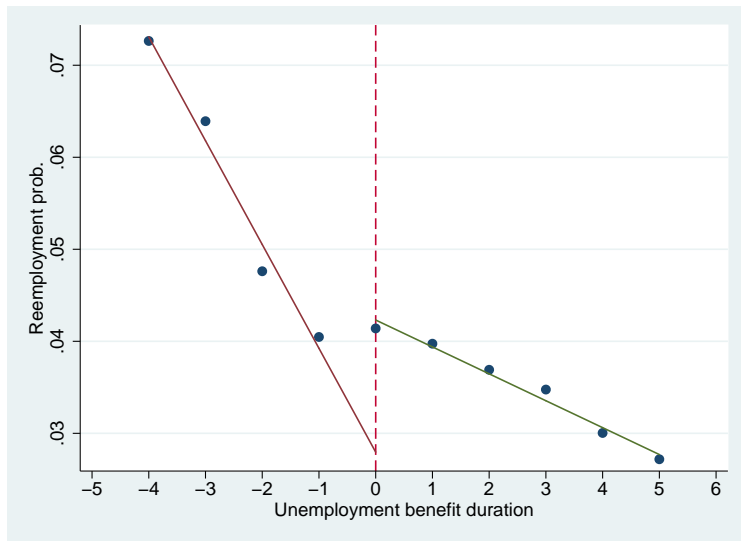


'Fuzzy' RDD

$$Y_{it} = \alpha + \beta D_{it} + S(\tilde{Z}_{it}) + \delta X_{it} + \epsilon_{it} \quad (1)$$

- \tilde{Z}_{it} is the (centered) forcing variable for individual i in month t , D_{it} is the treatment dummy, E_{it} is the eligibility dummy, Y_{it} is the reemployment dummy, X_{it} are the covariates, $S(\tilde{Z}_{it})$ is a polynomial function of the forcing variable
- For capacity reasons, *Convocatórias* was implemented gradually, setting up a fuzzy design (we use an eligibility instrument for D_{it} , in a '2SLS' framework)
- Next: graphical evidence (solid lines: predicted values from regression of reemployment on forcing variable, estimated separately on each threshold side)

Discontinuity in the reemployment probability



Main results

(Graphical and econometric) results are positive and significant:
participating in *Convocatórias* increases the reemployment probability

- Downward trend in reemployment probabilities as UB duration increases but jump upwards in dependent variable at the threshold UB level
- Results are robust to different specifications of the polynomial function
- We also study the impact of the programme on:
 - Transitions to non-claimant unemployment: no significant effects
 - Future wages: no significant effects

Robustness checks

We find evidence of robustness in different tests:

- We find no discontinuities in other variables at the threshold
- Similar results for different subsamples of unemployed individuals, regions and time-periods
- Similar results under clustering of standard errors across discrete values of the forcing variable
- Falsification test: replication of the analysis for 2011 generates no 'effects' (third data set)

Different specifications, different dependent variables

Polynomial function	Reemploy'm't probability	Treatment effect on:		Income level	1st stage results - eligibility effect
		Transitions... out of unemploy'm't	to non-subsidy unemploy'm't		
Linear	0.021*** (0.007)	0.024*** (0.008)	0.003 (0.004)	0.007 (0.021)	0.130*** (0.001)
Quadratic	0.083*** (0.009)	0.078*** (0.008)	-0.003 (0.004)	-0.012 (0.026)	0.114*** (0.001)
Cubic	0.039*** (0.009)	0.046*** (0.010)	0.007* (0.004)	0.017 (0.027)	0.133*** (0.002)
Linear spline	0.041*** (0.009)	0.042*** (0.009)	0.001 (0.004)	0.002 (0.022)	0.106*** (0.001)
Quadratic spline	0.092*** (0.040)	0.094** (0.041)	0.002 (0.012)	0.225** (0.107)	0.110*** (0.001)
Outcome mean	0.04	0.06	0.02	0.05	-
Obs.	615,089	615,089	615,089	604,390	-

Standard errors in parentheses; * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Conclusions

CIE of novel activation programme, in times of crisis:

- RD approach
- Two large, longitudinal, individual-level datasets
- Programme had positive and significant effects on reemployment
- Results robust to different specifications and several checks
- (Back-of-the-envelope) financial impact of the programme of 240 million euros

Literature summary

Paper	Country	Year	UR	Intervention	Outcome(s)	Meth.	Results
Dolton and O'Neill, 2002	UK	89	7.1	Job search counselling interview (<i>Restart</i>)	Unemployment rate	RE	↓ by 5 p.p.
Klepinger et al, 2002	US	94	6.1	Job search monitoring or workshop	UB paid and number of weeks on UB	RE	↓ by \$115 and one week
Van den Berg et al, 2004	Netherl.	94	6.2	Sanctions (temporary benefit reduction)	Welfare to work transition	Dur	↑ by more than 140%
Black et al, 2003	US	94-96	5.7	Mandatory employment and training services	UB paid, number of weeks on UB and subsequent earnings	RE	↓ by \$143, 2.2 weeks and ↑ by \$1050, respectively
Geerdsen, 2006	Denmark	95-97	6.1	Compulsory labour market programmes	Employment transitions	QE	↑ by 145%
Manning, 2009	UK	96	7.9	Increase in job search requirements and administrative hurdle (<i>Job-seeker's Allowance</i>)	Transitions out of unemployment, to employment and to non-subsidized unemployment	DID	↑ by 6%, no effect and ↑ by 6.7%, respectively
Petrongolo, 2009	UK	96	7.9	Increase in job search requirements and administrative hurdle (<i>JSA</i>)	Likelihood of a spell on incapacity benefits and of positive earnings	DID	↑ by 2.5-3% and ↓ by 4-5%, respectively

The methods are random experiment (RE), difference-in-differences (DID), quasi-experiment (QE), matching (Ma) and regression discontinuity design (RDD).

Literature summary (cont.)

Paper	Country	Year	UR	Intervention	Outcome(s)	Meth.	Results
Borland et al, 2007	Australia	97-98	8.6	Work-search monitoring (JobSeeker Diary)	Out of unemployment transitions and UB duration	Ma	↑ by 5.1 p.p and ↓ by 6%, respectively
Blundell et al, 2004	UK	98	6.1	Job assistance and wage subsidies (New Deal for Young People)	Employment transitions	DID	↑ by 5 p.p.
McVicar, 2008	N. Ireland	99-05	4.5	Suspension of monitoring	Transitions out of unemployment, to employment and other benefits	QE	↓ by 17%, 26% and 8%, respectively
Hagglund, 2011	Sweden	04	7.4	Active placement efforts	Transitions out of unemployment, to employment and other exits	RE	↑ by 51%, 43% and 54%, respectively
Cockx et al, 2012	Belgium	04-05	8.5	Monitoring of job search efforts	Transitions to employment, training and out of labour force	RDD	↑ by 9 p.p., no effect and no effect, respectively
Graversen et al, 2008	Denmark	05-06	4.4	Mandatory activation programme	Transitions to employment	RE	↑ by 30%
Crepon et al, 2013	France	07-08	8	Job placement assistance	Transitions to stable employment and displacement effects	RE	↑ by 11% but at expense of eligible non-treated individuals
Boone et al, 2009	Netherl.	-	-	Benefit sanction	Job acceptance probability	RE	↑ from 1.4 p.p. to 50 p.p.

Activation strategies - summary

	Belgium	Netherlands	Germany
Registration and benefit entitlement			
Entitlement to benefits	Before registration	Before registration	Simultaneously with registration
Placement efforts at initial registration	Referrals to vacancies	Assessment of work readiness+referrals	Referrals to vacancies
Detailed registration interview	Yes, at first contact	Yes, at first contact	Yes, within a fortnight
Confirmation of status	Declarations (monthly)	Declarations (monthly)	Declaration of relevant changes
Job search requirements			
Frequency of reporting	Depends on age and on results of previous interviews	No face-to-face contact monthly	Intensive interview 6 times a year
Number of actions to be reported	Not specified	4	Not specified
Services provided by the Public Employment Service			
Use of direct referrals	1 to 3/year/unemployed	No estimate	No estimate
Collective information sessions	Mandatory participation	No information	No information
Individual action plans	2 to 9M	1M for hard to place clients	Within 1 week to 1M after registration
Participation in ALMPs			
Compulsory or voluntary entry	Compulsory if referred	Compulsory	Voluntary
Job-search verification during participation	Yes	No	No

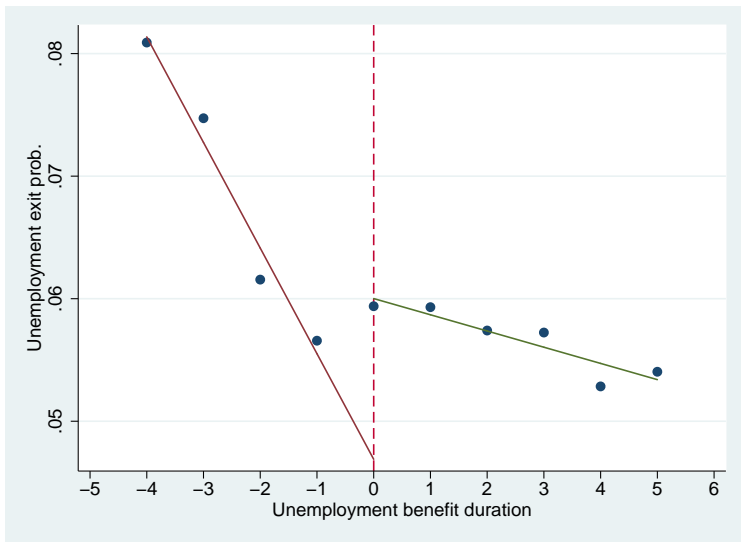
Activation strategies - summary (cont.)

	United States	Danemark	Switzerland
Registration and benefit entitlement			
Entitlement to benefits	Before registration Waiting period: 7 days	Simultaneously with registration	Before registration Waiting period: 5 days
Placement efforts at initial registration	Referrals to vacancies	None	Referrals to vacancies
Detailed registration interview	Yes, within 3 weeks (targeted)	Yes, within a month	Yes, within a fortnight
Confirmation of status	Declarations (fortnightly)	Declarations (monthly)	In-person attendance (monthly)
Job search requirements			
Frequency of reporting	No face-to-face contact (fortnightly)	Intensive interview (Once every 3 months)	In-person counselling interview (monthly)
Number of actions to be reported	10	Not specified	Between 4 to 10
Services provided by the Public Employment Service			
Use of direct referrals	No estimate	1 to 3/year/unemployed	6 to 8/year/unemployed
Collective information sessions	Targeted to unemployed likely to exhaust benefits	No information	Mandatory participation (early in spell)
Individual action plans	Rare	Within 9M/6M (adults/youth)	Within the first 3M
Participation in ALMPs			
Compulsory or voluntary entry	Voluntary	Compulsory at 9M for 30-60 and 6M for others	Compulsory only if referred
Job-search verification during participation	Yes	No	Yes

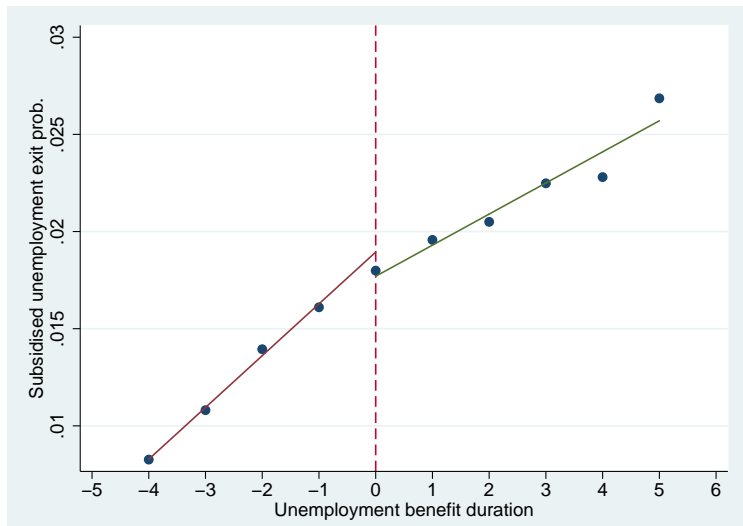
Activation strategies - summary (cont.)

	United Kingdom	Portugal
Registration and benefit entitlement		
Entitlement to benefits	Simultaneously with registration	Simultaneously with registration
Placement efforts at initial registration	Referrals to vacancies	Referrals to vacancies
Detailed registration interview	Yes, within a week	Yes, at first contact
Confirmation of status	In-person attendance (fortnightly)	In-person attendance (fortnightly)
Job search requirements		
Frequency of reporting	In-person counselling interview (fortnightly)	Variable
Number of actions to be reported	10	Not specified
Services provided by the Public Employment Service		
Use of direct referrals	6 to 8/year/unemployed	1 to 3/year/unemployed
Collective information sessions	Non existent	Mandatory participation (early in spell)
Individual action plans	Within 1 week to 1M after registration	Within 6M/3M (adults/youth)
Participation in ALMPs		
Compulsory or voluntary entry	Compulsory at 10M for youth and 622M for 25-49	Compulsory only if referred
Job-search verification during participation	No	No

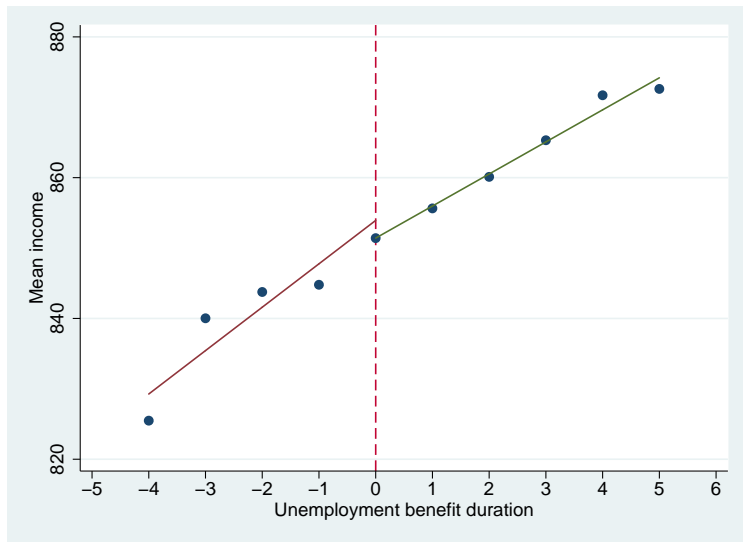
Unemployment exit probabilities by (centered) UB duration



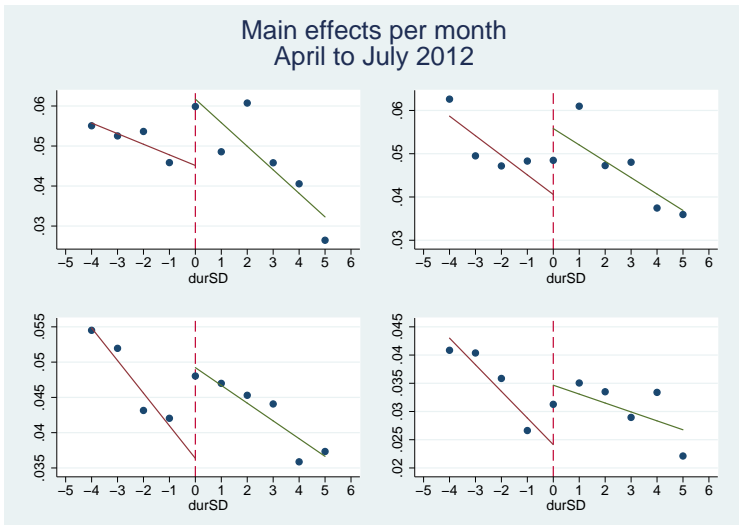
Transitions to non-subsidized unemployment by (centered) UB duration



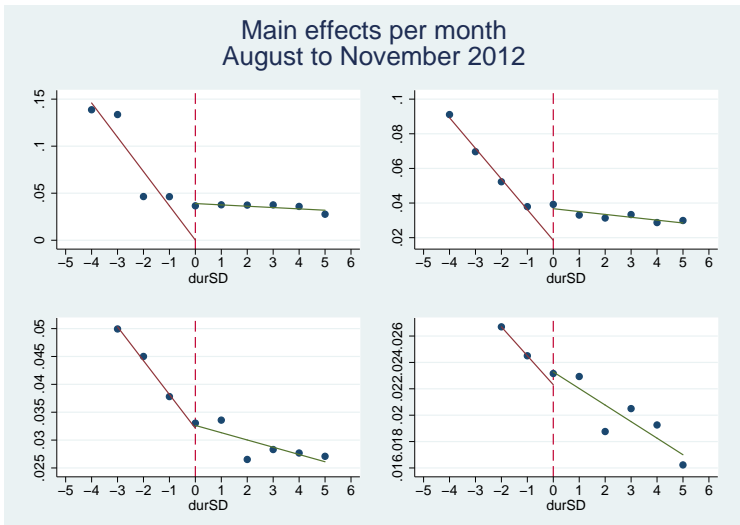
Income level in following month by (centered) UB duration



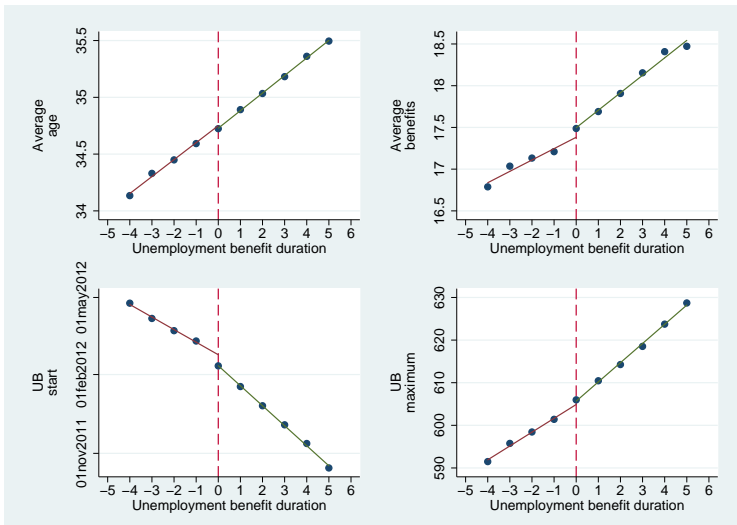
Reemployment probabilities by (centered) UB duration and month (April to July 2012)



Reemployment probabilities by (centered) UB duration and month (August to November 2012)



Mean values of background variables, by (centered) UB duration



Falsification test: reemployment probabilities, by (centered) UB duration, 2011

