

An abstract artwork featuring vibrant, flowing lines in red, yellow, and blue, set against a light background. The lines appear to be made of fabric or ribbon, creating a sense of movement and depth.

Contracting out placement services in Germany. Is assignment to private providers effective for needy job-seekers?

Vouchers, Contracting out and Performance Standards: Market
Mechanisms in Active Labor Market Policy

October 2008

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Contracting out job placement services

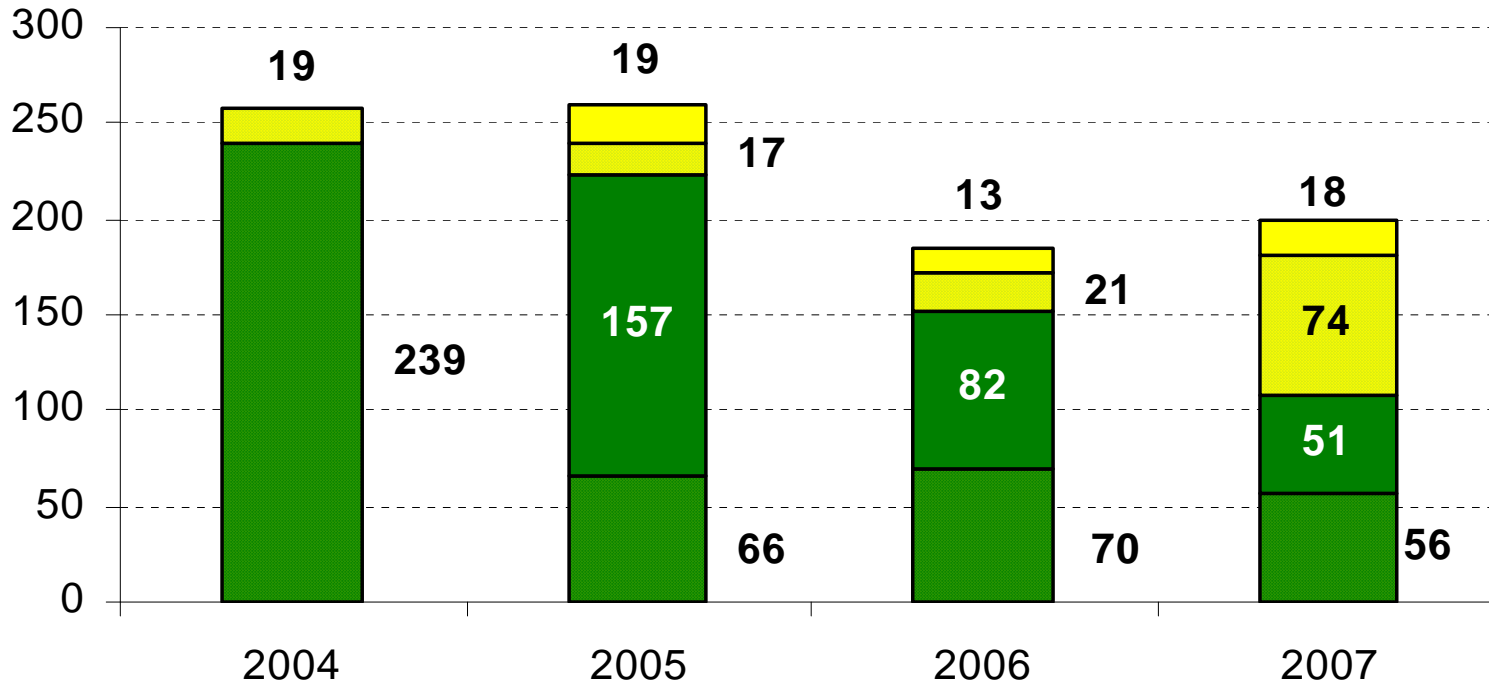
Call for tenders

- city: Nuremberg
- number of job-seekers: 250
- duration of assignment: 6 months per job-seeker
- objective: job placement
- compensation: incentive payment paid of in two rates
(expense allowance per job-seeker)
- contract duration: from January to December 2005

Selection of contractors

- private placement agencies offer a price (incentive payment)
- price-based selection

Assignment of job-seekers to private placement services in thousand



- Contracting out of reintegration services for unemployment benefit II recipients
- Contracting out of reintegration services for other unemployed
- Contracting out placement services for unemployment benefit II recipients
- Contracting out placement services for other unemployed

Results on the effectiveness of contracting out job placement services in Germany

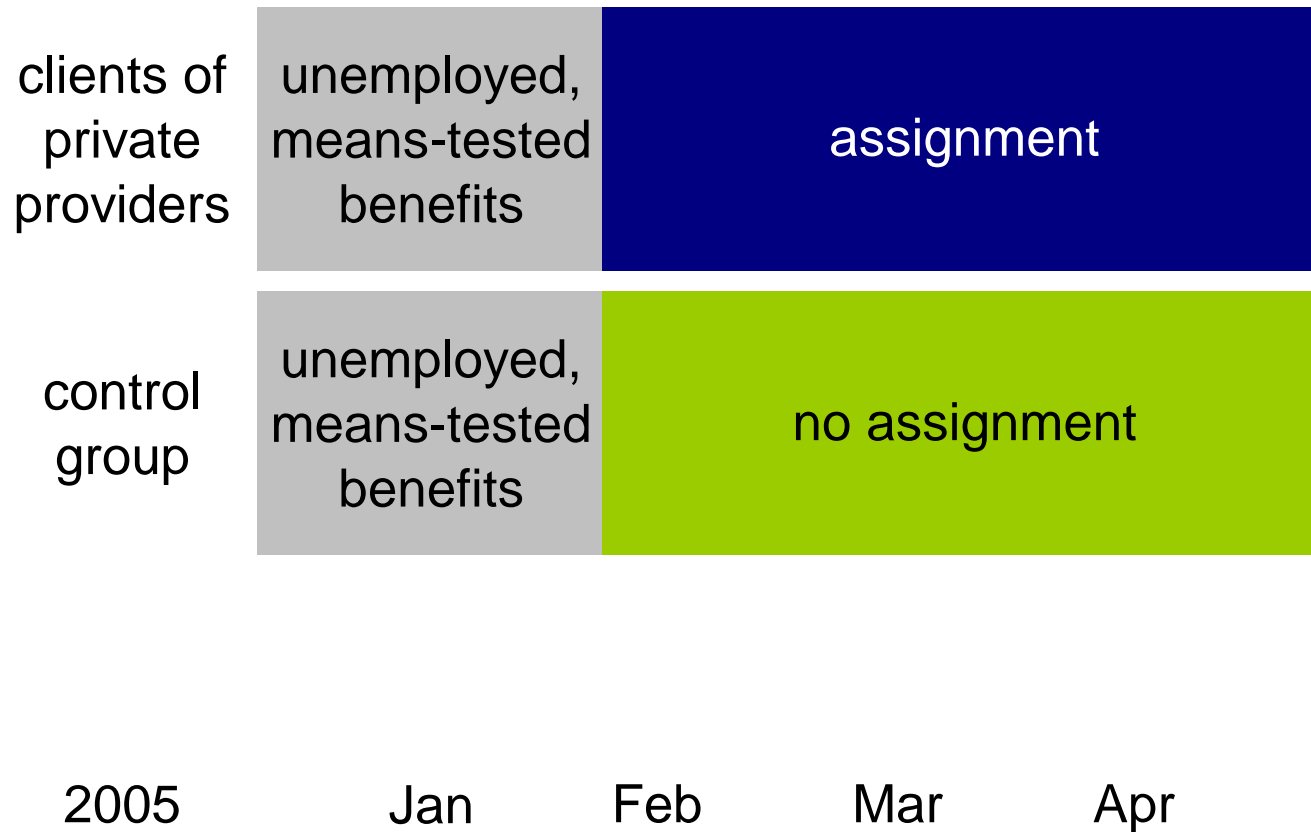
Winterhager (2006a, b, 2008)

- assignments during first quarter of 2004
- evaluation window: 9 months after assignment
- negative short-term employment effects for assigned job-seekers
- no medium-term effects
- weak favourable effects in West Germany for women, younger and older job-seekers

WZB/infas (2006)

- assignments from 2003 to 2005
- evaluation point in time: 4 months after assignment
- no positive short-term effects

Control group design



Control group design

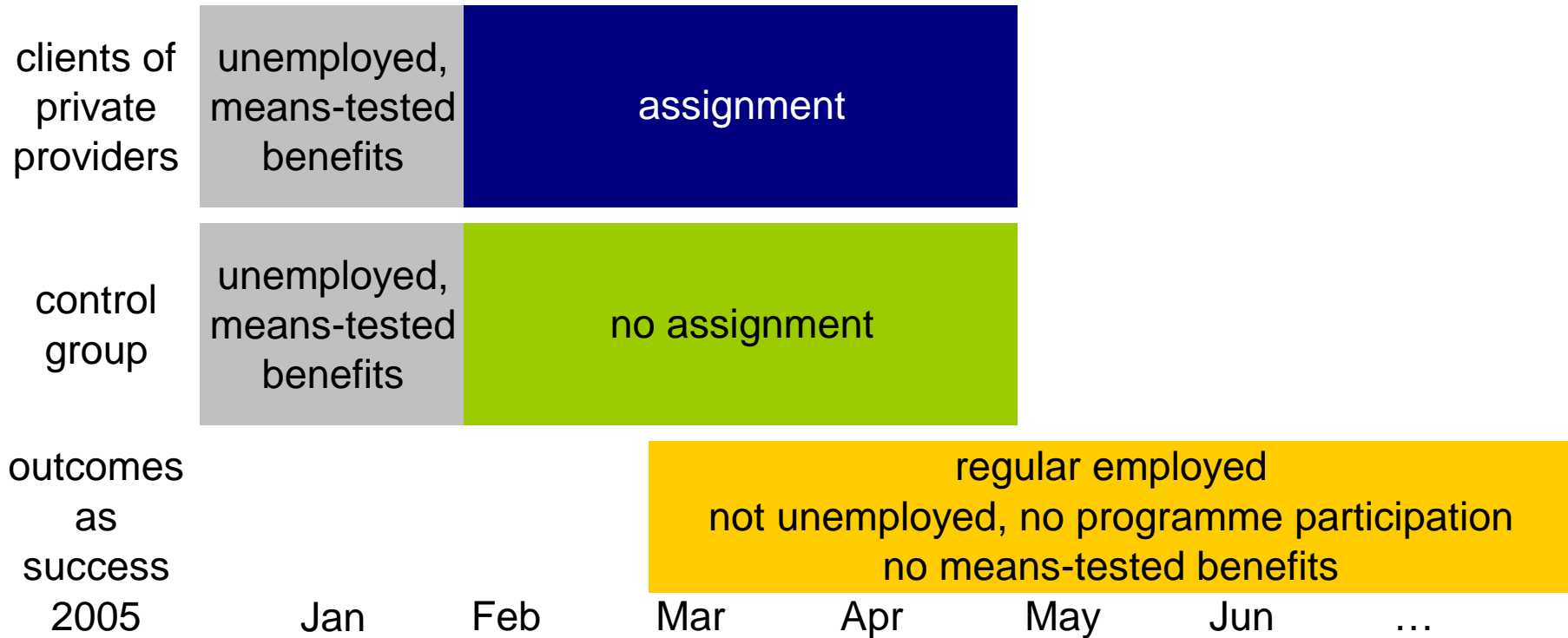
Propensity-score-matching

- Socio-demographic characteristics
- Household characteristics (employment biography of the partner)
- Employment biography
- Local labour market

Administrative data

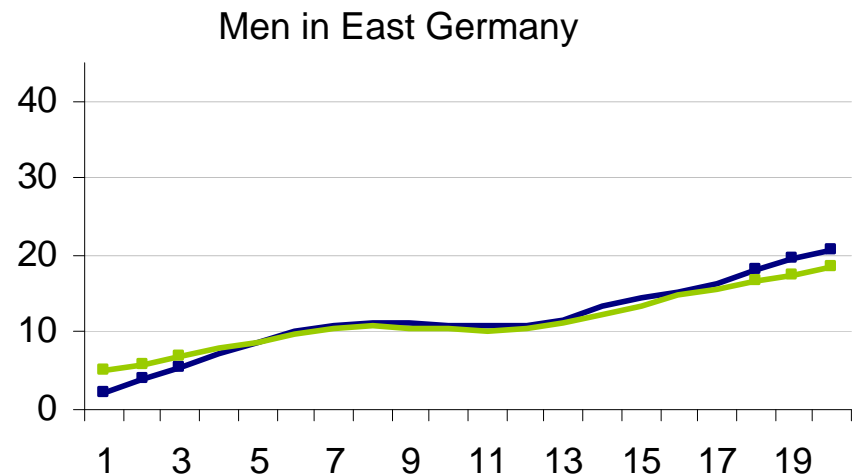
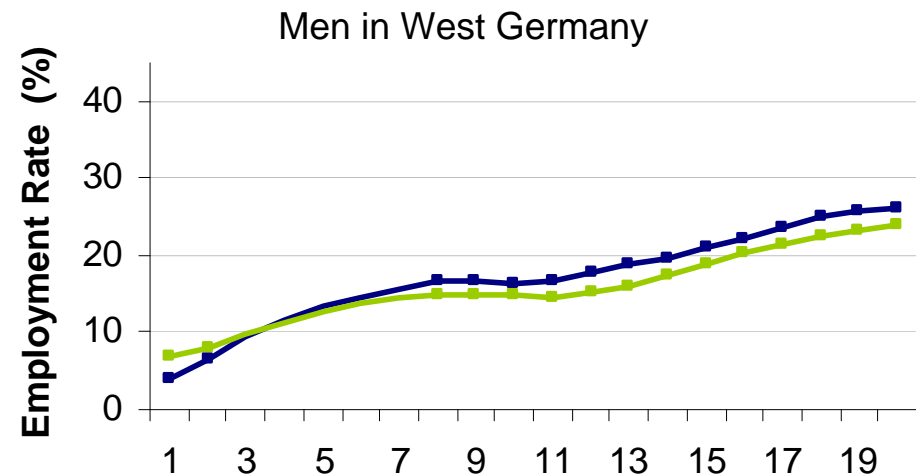
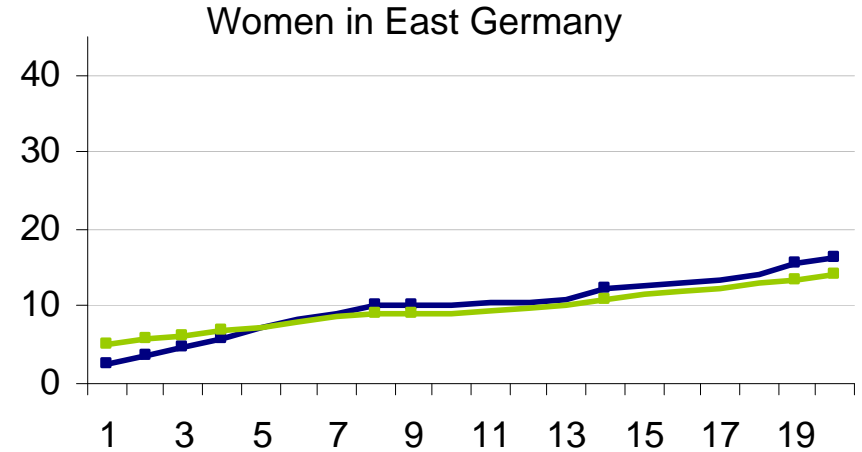
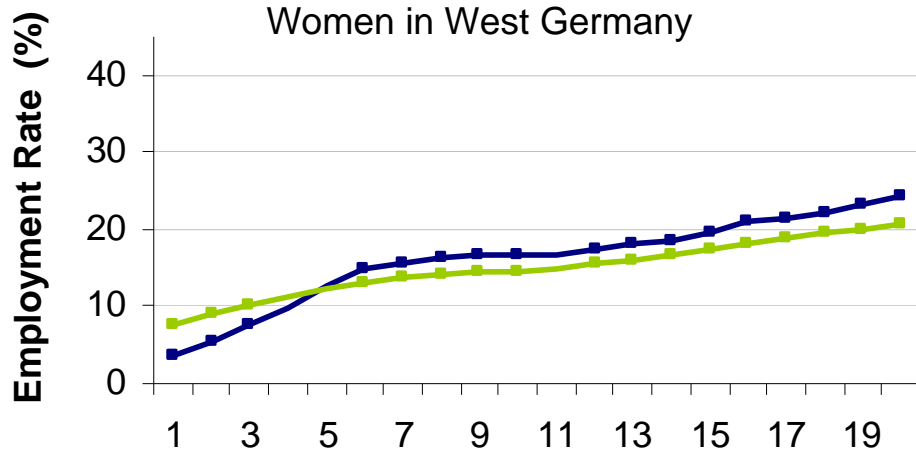
- Integrated employment biographies
- History of means-tested benefits
- Datamarts from the Statistics Department of the Federal Employment Agency

Control group design



Results: regular employment

Clients of private providers
Control group

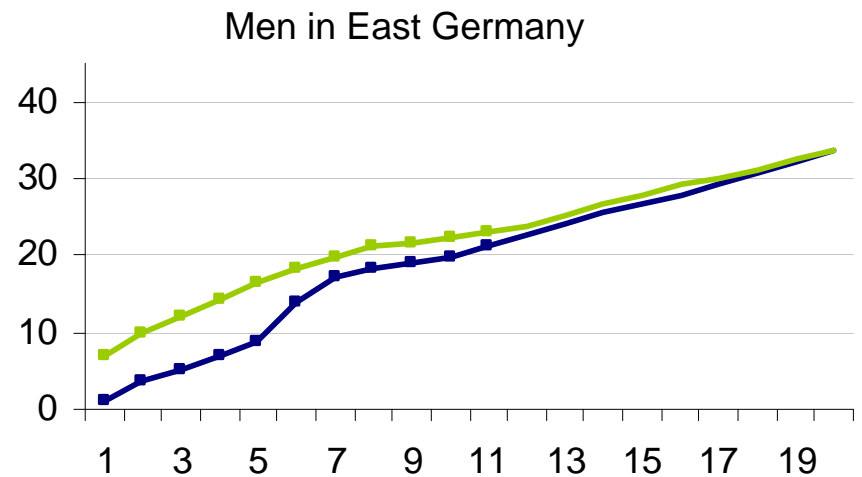
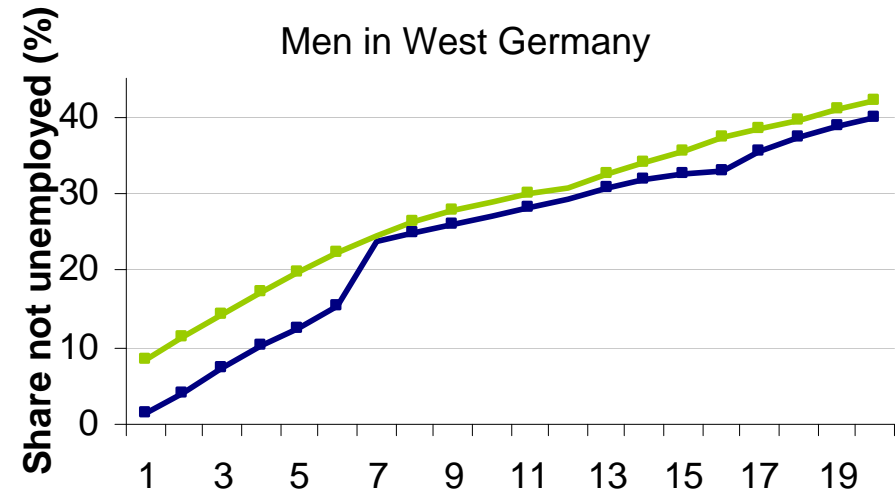
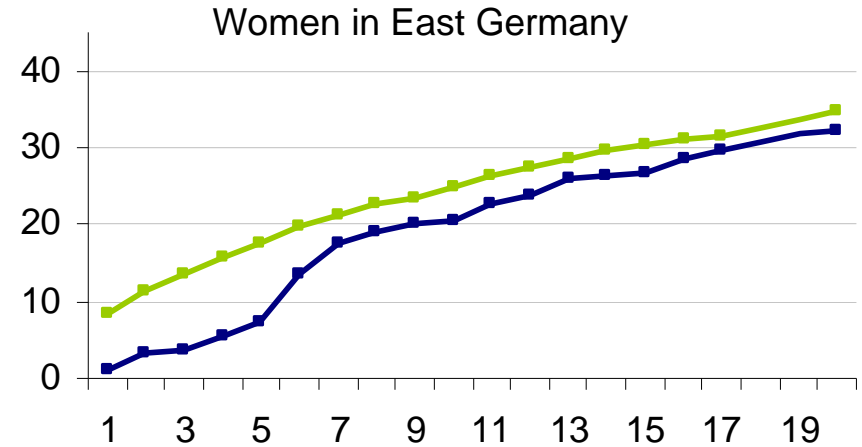
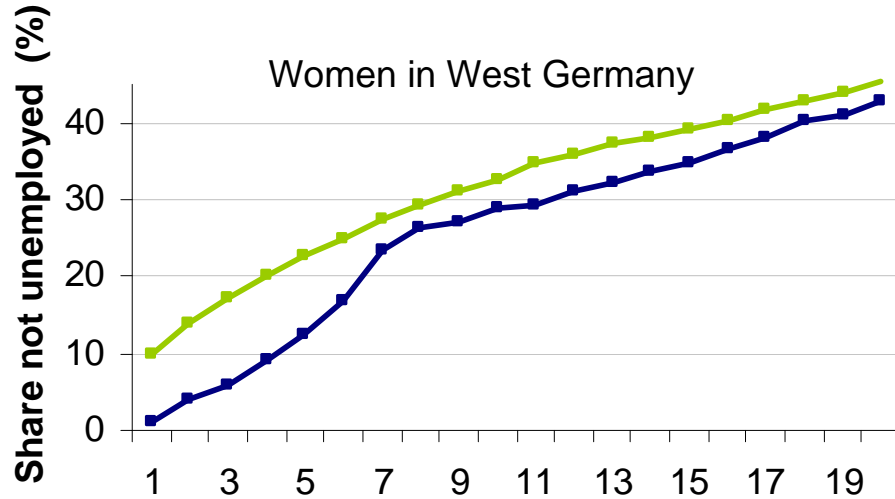


Months since assignment

Months since assignment

Results: not unemployed, no programme participation

Clients of private providers
Control group



Months since assignment

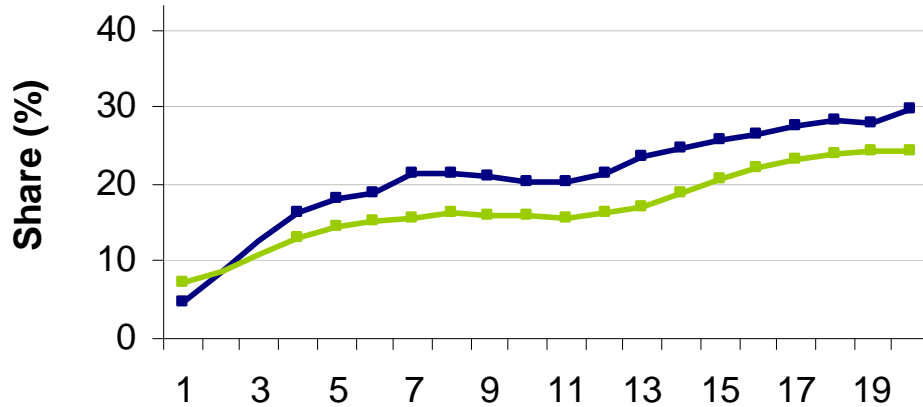
Months since assignment

Results: two subgroups

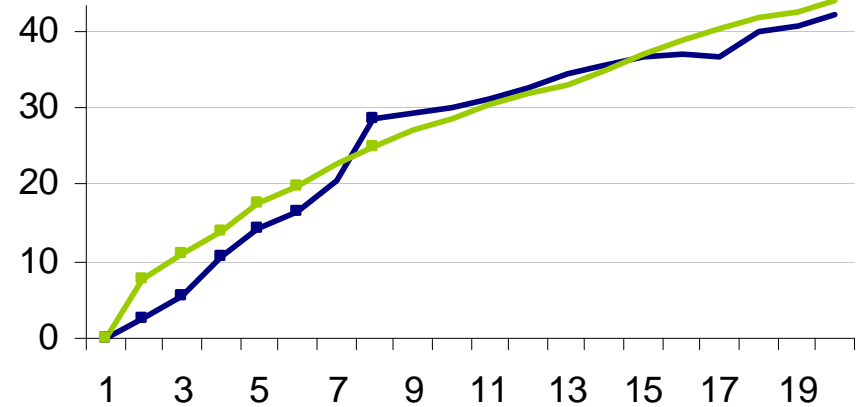
Clients of private providers
Control group

Regular employment

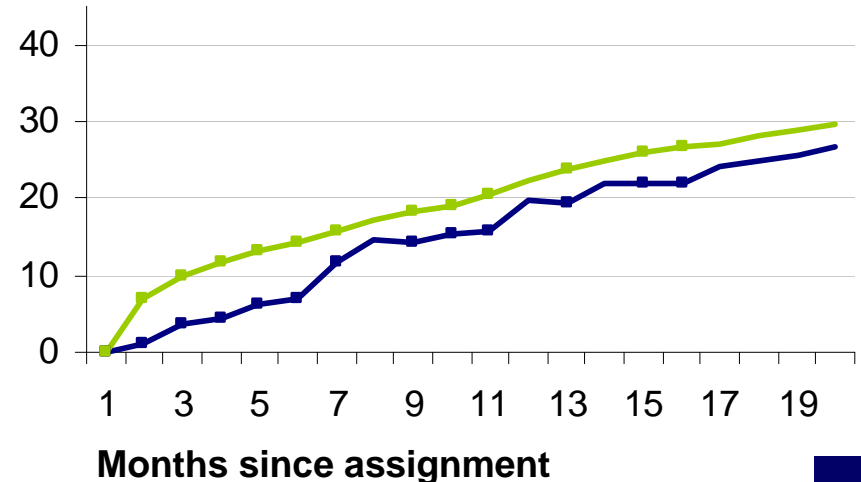
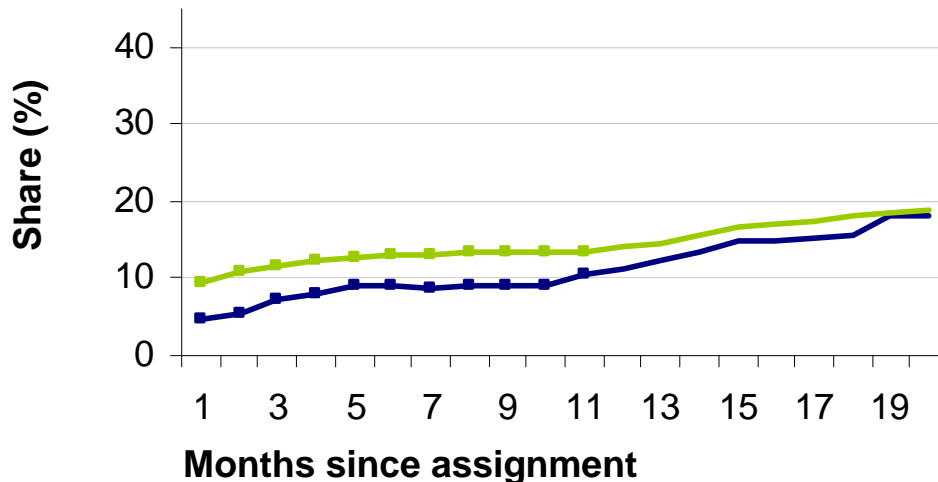
Men in West Germany with migration background



Not unemployed, no programme participation



Women in East Germany with last employment one year before (age >= 30 years)



Results

- negative short-term effects on all outcomes
- medium- and long-term: no or weak positive effects on employment
- positive employment effects do not come along with positive effects on
 - avoiding unemployment benefit II receipt
 - avoiding unemployment and participation in active labour market programmes

Results

Groups who benefited from assignment to private providers

West Germany:

- men with migration background
- men between 35 and 49 years

East Germany:

- without occupational qualification
- men below 25 years
- women at least 30 years old and last job two or three years before

Group who suffered from assignment

- East Germans with recent labour market experience, more than 30 years old

Sarah Bernhard; Joachim Wolff (2008): Contracting out placement services in Germany. Is assignment to private providers effective for needy job-seekers? (IAB Discussion Paper, 05/2008)

<http://doku.iab.de/discussionpapers/2008/dp0508.pdf>