The Importance of meeting your case-worker: Evidence from several field experiments

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Motivation

› ALMPs are a crucial element in the Danish Flexicurity system
  › Flexible hiring/firing rules
  › Income security for employees
  › ALMPs ensure availability and provide skills...

› ...but they are expensive (1.2% of GDP)
  › and some ALMPs have shown not to be very effective, and most fail in CBAs

› Regular meetings with a caseworker, however, are not too expensive...and apparently quite effective
  › 32 of 38 studies in review report positive effects (Pedersen et al., forthcoming)
  › so why not use them more?
Figur II.2  Jobomsætning i OECD-lande, 2000-05

Source: OECD (2009)
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Motivation

› QBW1 (RCT): Treatment involved a number of instruments
  › Information, job search assistance, meetings, early activation
› Effect: 3 weeks more employment
› BUT... What was it?
  › Single instrument or synergies?
  › How did each element work?
› ...hence QBW2
› ...and QBW3
› ...and QBW4, QBW5
› ...and QBW9 (planned)
Outline

1. Motivation
2. QBW2
3. QBW3
4. Preliminary evidence on QBW4 and QBW5
5. Conclusion
4 randomized social experiments conducted in Denmark 2008

Aimed at newly unemployed UI recipients

Treatment (early intensification of ALMP)

A. group meetings
B. individual meetings
C. early activation
D. group meetings and early activation
QBW2

- Targeted towards newly unemployed UI recipients (80% of labour force)
- Sampling inflow to unemployment week 8-29, 2008
- Randomization
  - Control group (not informed)
  - Treatment group (pilot study information)
- No escape from treatment by leaving
- Implemented in 2 (4) different regions
Meetings primarily focus on counseling

Control group: Meeting every 13 weeks
QBW2

▶ DREAM adm. register data (National Labour Market Authority)
  ▶ Records and governs payments of public transfers+ participation in ALMP
  ▶ Variables include weekly labor market status and program participation, gender, age, marital status, residence, UI fund, ethnicity, etc.

▶ We follow individuals for 111 weeks
QBW2

› Sample sizes are 1000-1200 per experiment, but split by gender 500-600

› This allows for Minimum Detectable Effect sizes of 0.23-0.25 std. dev.’s without conditioning (power=0.8, sign=95%);

› Hence, we can only hope to detect fairly large effects

› Explaining 25% of the variation by including regressors only reduces MDE to 0.2-0.22, so not much help there
QBW2- implementation

Figure 2: Weekly meeting intensities

A - group meetings

B - individual meetings
QBW2 – evaluation approach

- T=0 – randomisation
- T=1 – letter about pilot
- T>1 – outflow affected by treatment => no longer randomisation among survivors
  - raw exit rates not informative (except in special cases, Abbring & van den Berg, 2005)

- The observed exit rate from unemployment:

\[ \theta(t|X, D) = E_U [\theta(t|X, D, U) | T \geq t] \]
QBW2 – evaluation approach

- Exit rates differ due to treatment and composition effects
- Duration analysis enables us to perform dynamic policy evaluation in addition to raw mean comparisons
- Mixed proportional hazards specification

\[ \theta_j (t|X_j, U_j, D_j) = \psi_j (t) \exp \left( X_j' \beta + \delta_j (t) D_j \right) \exp (U_j) \]

for \( j = ue, eu \)

- Joint NPMLE estimation
QBW2 - results

- Figure 3: The employment effect of Experiment A (group meetings)

- Duration models: men stay employed significantly longer
QBW2 - results

Figure 4: The employment effect of Experiment B (Individual meetings)

> Duration models: women find employment faster, men stay employed longer
### QBW2 - CBA per unemployment spell

<table>
<thead>
<tr>
<th>Copenhagen &amp; Sealand - Experiment B</th>
<th>Costs</th>
<th>Corrected for MCPF</th>
</tr>
</thead>
<tbody>
<tr>
<td>Saved income transfers</td>
<td>1569</td>
<td>314</td>
</tr>
<tr>
<td>Saved program costs</td>
<td>41</td>
<td>49</td>
</tr>
<tr>
<td>saved total costs</td>
<td>1610</td>
<td>363</td>
</tr>
<tr>
<td>Accumulated gain in employment (weeks)</td>
<td>4.99</td>
<td></td>
</tr>
<tr>
<td>Value of increased production</td>
<td>4362</td>
<td></td>
</tr>
<tr>
<td><strong>Net result of CBA (in €)</strong></td>
<td><strong>4725</strong></td>
<td></td>
</tr>
</tbody>
</table>
QBW2 - summary

› Meetings between unemployed UI recipients and case workers increase subsequent employment rates for participants

› For women, job finding rates go up
› For men, exit rates from jobs to unemployment fall
Outline

1. Motivation
2. QBW2
3. QBW3
4. Preliminary evidence on QBW4 and QBW5
5. Conclusion & policy discussion
QBW3

› Inspired by QBW1

› Began March 2008

› Aimed at long-term recipients of social assistance
  › aged 30 or above
  › more than 26 weeks on social assistance, avg. elapsed duration at time of entry to experiment ~ 4 years

› 3600 individuals

› DREAM data
QBW3

> **Treatment:** 26 weekly meetings with a caseworker with the aim of improving labour market readiness and job search
> More counseling than monitoring

> Control group: Meetings every 13 weeks
QBW3 - treatment

Figure 5. Treatment intensity and exemptions
QBW3 - results

Figure 6. Overall results: Social assistance receipt
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Michael Rosholm
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QBW3 - results

Figure 7. Overall results: Employment
QBW3 - results

Figure 8. Overall results: Disability pension
QBW3 – gender differences?

Figure 9. Employment

Men

Women
QBW3 – gender differences?

Figure 10. Disability pension
Men

Women
QBW3 - summary

- Meetings with long term recipients of social assistance do not boost job finding
- Rather, they increase transition into disability retirement
- ...for women!
Outline

1. Motivation
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QBW4 – preliminary evidence

› Inspired by QBW1-2

› Aimed at sicklisted with 5-8 elapsed sickness period, during 2009

› 2500 treatments, 2500 controls

› **Treatment**: weekly meetings (+additional physiotherapy, rehabilitation, ALMPs, if considered appropriate)

› Individuals in treatment group had on avg 8 meetings more than controls

› Goal: faster return to work!
QBW5 – preliminary evidence

Figure 11. Impact on return to work
QBW4 – preliminary evidence

› Weak tendency to positive impact on transitions into disability pension and related schemes

› No early evidence on gender differences
QBW5 – preliminary evidence

› Inspired by QBW1 & QBW2

› Aimed at unemployed youth (UI + social assistance), 2010
  › Those with a qual. education (2500)
  › Those without (1200)

› Treatment:
  › Those with educ: Weekly meetings for 13 weeks (9 extra meetings)
  › Those without: Weekly meetings for 26 weeks + intensive use of early activation (11 extra meetings)

› Goal: Faster return to work/increased entry into education
QBW5 – preliminary evidence

Figure 12. Return to work, youth with educ.
QBW5 – preliminary evidence

Figure 13. Transition into education, youth without educ.
QBW5 – preliminary evidence

› Small, insignificant impacts

› No noticeable gender differences
Outline

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### Conclusion: Impacts and gender aspects

<table>
<thead>
<tr>
<th>QBW2 (UI - employable)</th>
<th>QBW3 (soc. ass. - less employable)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Large sign. positive impacts</strong></td>
<td><strong>Small &amp; insign. negative impacts</strong></td>
</tr>
<tr>
<td><strong>Impact differences by gender:</strong></td>
<td><strong>Large, unintended, sign. positive impact on disability pension</strong></td>
</tr>
<tr>
<td>• Large effects for men</td>
<td>• Impact differences by gender</td>
</tr>
<tr>
<td>• Women find jobs faster</td>
<td>• Large sign. impact on disability pension for women</td>
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<tr>
<td>• Men keep jobs longer</td>
<td>• Small and insign. for men</td>
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<table>
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<tr>
<th>QBW4 (sicklisted)</th>
<th>QBW5 (youth w. &amp; without education)</th>
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<tbody>
<tr>
<td><strong>Small insign. negative effects on return to work</strong></td>
<td><strong>Small insign. effects on job finding/education entry</strong></td>
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</tbody>
</table>
Conclusion: Impacts and gender aspects

Lessons learned:

› Meetings are effective instrument for those who are ready for work
› For those who are not, or those with less experience, they are NOT! There are even unintended negative consequences
› ...why?
› ...New research project (launched Dec 2012): Sequential surveys for soc. ass. recipients
Conclusion: Impacts and gender aspects

Lessons learned:

Explore gender difference: Why do men and women react differently to meetings

› Gender of case worker?
› Search directions (public vs. private)?
› Preferences/behavioral differences

› Which behavioral parameters should case workers try to affect?
› Why are there differences between men and women?
Conclusion - methodology

Lessons learned:

› Always look for unintended consequences!
  › If possible, use battery of outcomes (soft and hard), but specify \textit{ex ante}

› ...In future RCTs (starting w QBW6), we will conduct (sequential) surveys on behavioral effects (search activity, barriers to work, well-being, coping strategies, etc.)
Conclusion – new field experiments

Ongoing and planned RCTs in DK for 2012+:

1. Coaching for unemployed youth w. mental health issues (prelim. evaluation in progress)
2. Contracting out PES for unemployed academics: private vs public providers (evaluation in progress)
3. Mentoring for uneducated unemployed youth (coordinated w. French RCT on similar group, started in DK late Sept.)
4. Experiment on meetings – quality vs quantity? (cross-cutting design)
   a) Intensive meetings (in a downturn)
   b) ‘Coaching education’ of case workers