

Anonymity or Distance?

Job Search and Labour Market Exclusion in a Growing African City

Girum Abebe (EDRI)

Stefano Caria (University of Oxford)

Marcel Fafchamps (Stanford University)

Paolo Falco (OECD)

Simon Franklin (London School of Economics)

Simon Quinn (University of Oxford)

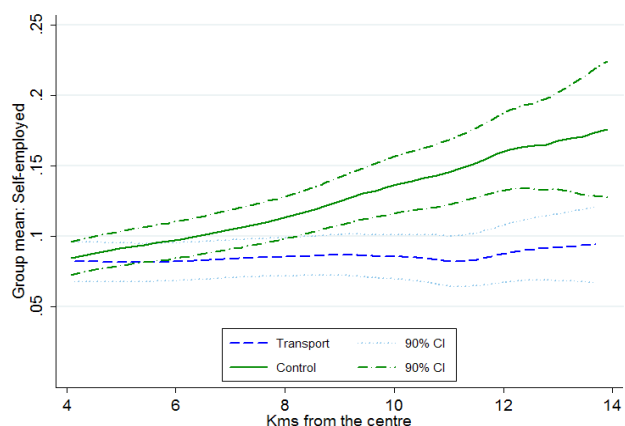


Active labour market interventions targeting job search costs and poor signaling ability of young job seekers

Follow us on Twitter! Find @glmlic

Topic at a Glance

Do obstacles to job search contribute to labour market exclusion in developing countries? To answer this question, we contrast two very different interventions, designed to alleviate spatial and informational constraints for unemployed youth in a congested African city: a transport subsidy and a job-application workshop. Both treatments have large positive effects on the probability of finding stable and formal jobs. Neither treatment has a significant average effect on the overall probability of employment, but we detect a sizeable increase in earnings and employment rates among the most disadvantaged job-seekers. Our results highlight the importance of job-search constraints as mechanisms for exclusion of the most disadvantaged. They also show that, if targeted well, low-cost interventions can have large impacts, improving equity in the labour market.



Notes: The probability of being self-employed as a function of distance from the city centre. In our sample, self-employment is typically an informal lower-quality alternative to salaried work

New Insights

Youth unemployment is a major policy challenge throughout the world and it is especially pressing in urban areas, where high rates of joblessness feed widespread discontent, social tension and political instability. As urbanisation accelerates, the problem of unemployed urban youth is going to become ever more acute, especially in the developing world. By 2050, the urban population of Africa is expected to triple, while that of Asia is expected to grow by 61 percent (United Nations, 2014). Many of these new urbanites will struggle to find satisfying employment.

How can policy makers help young workers in large cities find jobs? The existing evidence is limited. While cash grants, public works programmes and training schemes have had mixed results in this respect, a growing literature highlights the importance of job search costs and of informational asymmetries driven by young workers' inability to signal their skills (Card et al., 2007; Chetty, 2008; Crépon et al., 2013; Pallais, 2014). So far, we have little knowledge of how these constraints can be alleviated, especially in developing countries.

This project aims to expand our understanding of these frictions and of the policy tools available to address them. We evaluate two interventions: (i) transport subsidies designed to reduce job-seekers' transport costs and (ii) a job application workshop designed to improve job seekers' presentation skills and provide them with improved certification through personnel selection tests.

We evaluate these programmes using a random sample of over 4,000 young individuals in a rapidly expanding metropolis located in a fast growing country – Addis Ababa, the capital of Ethiopia.

We find that both interventions help jobseekers get better jobs. Eight months after the end of the programme, individuals invited to the job application workshop are nearly 40 percent more likely to have permanent employment and nearly 25 percent more likely to be in formal employment compared to those in the control group. Individuals who are offered the transport subsidy are 25 percent more likely to be in formal employment. The effects are stronger

for women and for less educated workers (those who have at most secondary education). These are the groups that typically find it hardest to obtain high quality employment, in Ethiopia and in other developing countries (OECD, 2015).

To understand the mechanisms behind these effects, we conduct fortnightly phone interviews with all sampled jobseekers throughout the course of the study. This provides a rich, high-frequency dataset that allows us to observe how search behaviour evolves in response to our interventions. We find that the transport treatment improves employment by allowing young people to search more intensely for jobs (treated individuals visit the centre of town to look for work more frequently). Moreover, both the transport subsidies and the job application workshop improve the efficacy of job search (the conversion rate of applications into job interviews and offers increases).

We also find strong evidence corroborating the hypothesis that spatial and informational constraints matter for employment outcomes. In cities like Addis, good employment opportunities become scarcer the further workers' live away from the city centre. As a consequence, self-employment in the informal sector is more common on the outskirts of the city. Our interventions, particularly the transport subsidy, succeed in offsetting the burden of distance by increasing formal employment among workers who live further away from the centre (see Figure). Self-employment rates among these workers drop to levels similar to people living in the centre of the city thanks to the interventions.

Further, the job application workshop is effective in mitigating the difficulties young workers encounter to signal their skills to employer. Using data from the personnel selection tests, we show that participating in the job application workshop strengthens the correlation between skills and good employment outcomes for workers with less formal qualifications (who, in the absence of the intervention, would find it hardest to signal their abilities).

Finally, we measure the indirect impacts of the interventions on the young individuals who reside close to programme participants. Using a randomised saturation design, we find some positive impacts of the transport subsidy on the quality of employment of the untreated when the proportion of treated jobseekers is low, and some negative effects when the proportion is high (90 %). We do not find indirect effects of the job application workshop, despite a fairly high proportion of treated respondents in all clusters (80 %).

Policy recommendations

Young people throughout the world find it very hard to obtain the good jobs they aspire to. Our research helps us understand the challenges of job search and the possible remedies. In particular,

it shows that many young workers are missing good opportunities due to disadvantages that policy makers can alleviate through simple interventions like transport subsidies and programmes that help jobseekers signal their abilities. Active labour market policies of this kind should receive greater attention from policy makers, especially in the developing world.

Both interventions are particularly relevant in the context of Ethiopia. The Government of Ethiopia has set targets for the development of job seeker assistance services – in particular, job centres that collect information about vacancies – in the coming years. This research will assist the Ethiopian authorities in identifying the most effective policies to facilitate job-search and reduce youth unemployment. It will also be useful for international organisations and for the governments of other countries facing analogous challenges.

Active labour market policies targeting transport costs and skills signalling policies have attracted increasing attention in a number of contexts (e.g. J-PAL 2013, Crépon et al. 2013, Phillips 2014), but have not been rigorously evaluated (and compared) in the context of low-income countries. We show that such policies can raise the quality of jobs young worker get and are especially beneficial for the most disadvantaged social groups, especially women and the low-skilled. On the basis of this evidence, the government of Ethiopia can consider (i) whether to use the new job centres to improve the presentations skills of the unemployed and (ii) whether to develop job search assistance services to facilitate the graduation of individuals that are currently assisted through urban safety net programs. Lastly, our results suggest that job search assistance services should include workers who do not have tertiary education.

Limitations

Our experimental design allows us to examine the presence of spillover effects within the study areas. We are not, however, able to measure the aggregate welfare gains that may arise as a result of good match formation between employers and job seekers, which could potentially reduce turnover. This is partly because it is not possible to identify indirect treatment effects outside of well-defined study areas – a common challenge for all studies of this kind.

Read more → glm-lic.iza.org/thematic-areas/ta3/176/

GLM|LIC is a joint program by IZA and the UK Government Department for International Development (DFID) – improving worldwide knowledge on labor market issues in low-income countries (LICs) and providing a solid basis for capacity building and development of future labor market policies.