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Labor Market Programs Help Disadvantaged Jobseekers
Our main finding is that participation in labor market programs can improve the perception employers have of candidates only if these candidates are seen as disadvantaged – because they apply for a low-skill, undesirable position, because they are foreign, or because they lack professional qualifications. By contrast, candidates who are not as disadvantaged and can be expected to find employment without help are penalized if they do receive help. Consequently, labor market programs, to be successful, should be clearly targeted to the most disadvantaged jobseekers.

Further Reading

Auspurg, Katrin, and Thomas Hinz. *Factorial survey experiments* (Vol. 175). London: Sage, 2015.

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Integration through Active Labor Market Policies

**A Project of “nccr – on the move”
Giuliano Bonoli, IDHEAP, University of Lausanne**

For disadvantaged immigrants, it is pivotal that they achieve professional (re-)integration in order to become successful members of the host country. In fact, stable and suitable jobs – in terms of educational adequacy – allow immigrants to earn their own living and simultaneously build a social network, which includes contacts to the native population. Such contacts are a prerequisite for successful social integration. Thus, labor market participation, besides being the foundation of social participation, has also been shown to be essential to preventing welfare dependency and guaranteeing psychological and physical wellbeing.

This project was carried out by Daniel Auer (doctoral student, nccr – on the move), Giuliano Bonoli (project leader, nccr – on the move), Flavia Fossati (PostDoc, nccr – on the move), and Fabienne Liechti (doctoral student, University of Lausanne).

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The nccr – on the move is the National Center of Competence in Research (NCCR) for migration and mobility studies. The center aims to enhance the understanding of contemporary migration and mobility patterns. Designed to develop new perspectives on the changing migratory reality, the nccr – on the move brings together research projects from social sciences, economics and law. Managed from the University of Neuchâtel, the network comprises nineteen research teams from eight universities in Switzerland: the universities of Neuchâtel, Basel, Bern, Fribourg, Geneva, Lausanne, Lucerne, and Zurich.

“in a nutshell” provides answers to current questions on migration and mobility – based on research findings, which have been elaborated within the nccr – on the move. The authors assume responsibility for their analyses and arguments.

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Are Labor Market Programs
Always Useful?

in a nutshell #7, June 2017

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Messages for Decision-Makers

Switzerland has a highly developed system of labor market programs.

Participation in these programs can have a positive or a negative effect on a candidate's evaluation, depending on his or her position in the labor market.

Participation is most useful for low-skilled occupations, for non-Swiss candidates, and for non-qualified workers.

Labor market programs should be targeted to the most disadvantaged jobseekers.

What is meant by...

...survey experiment

Survey experiment is a technique for collecting data that combines the logic of the survey with that of the experiment. Respondents know that they are taking part in an experiment and are asked to assess different situations (in our case, hypothetical candidates) that vary in terms of several factors. Each respondent sees only a small number of possible situations, whereby the multitude of possible combinations of the different factors should make it impossible to identify the interest of the researchers. This approach is less conducive to socially desirable answers.

In Switzerland, public authorities invest a substantial amount of money in order to provide jobless people with courses, training opportunities and other activities that are known collectively as labor market programs. In general, it is assumed that participation in these programs increases the chances of jobless people finding employment. However, research shows that participation in a program is not always beneficial. Against this background, we decided to investigate how employers in the hotel sector perceive participation in these programs, and we found that it is not always regarded as an advantage.

Switzerland has a highly developed system of labor market programs – also known as “active labor market policies”. Individuals who are unemployed and have difficulty accessing the labor market can rely on a broad range of programs, which consist mostly of job-related training, language courses, subsidies for employers and temporary employment programs. These programs are relevant for the integration of migrants. In fact, even though they are not specifically meant for the migrant population, they target groups where foreigners tend to be overrepresented, such as low-skilled unemployed people or those receiving social assistance. In addition, labor market programs represent the main tool for promoting integration in the labor market. In this respect, knowing how these programs work is key for shaping migration and integration policy.

What Do Employers Think of Labor Market Programs?

It is generally assumed that labor market programs are – at least somewhat – helpful in getting jobseekers back into the workforce. However, evaluations do not always reveal positive impacts. What is more, we know very little about what employers think of these programs. Yet, the point of view of employers is important because they are the ones who eventually decide who gets jobs and who does not.

“It is generally assumed that labor market programs are beneficial to getting jobseekers back into the workforce. However, systematic evaluations do not always reveal positive impacts.”

Instead of simply asking employers what they think of labor market programs, we decided to run a survey experiment. Direct questioning may elicit socially desirable answers, for example, from employers who do not want to appear anti-statist or against social policies and who might, as a result, depict programs in a more positive way than they are actually perceived. A survey experiment allows us to see beyond socially desirable answers.

The Survey Experiment

For our experiment, we asked employers in the hotel sector in Switzerland in an online survey to evaluate candidates for two typical occupations: room cleaner and receptionist. To do so, we submitted about 200 different hypothetical candidate profiles to a sample of some 2,000 hotel managers and hotel owners. Each respondent had to rate only four candidates who varied in terms of several factors: age, gender, nationality and level of education. In addition, we attributed participation in one or more labor market programs to some of these hypothetical candidates. The following options were possible:

- foreign language course (Russian);
- a subsidy of 40% of wage costs for six months;
- participation in a temporary employment program consisting of sorting old clothes;
- participation in two temporary employment programs, one consisting of sorting old clothes, the other involving packaging.

Our respondents were asked to rate the candidates on a scale of 1 to 10, where 10 means “I would like to have this person at my company”, and 1 the opposite.

Participation in Labor Market Programs Is Not Always Positive

The first striking result we obtained is that employers do not necessarily assess participation in a labor market program positively. As Figure 1 shows, candidates for the position of receptionist are perceived as less desirable if they have participated in one program, and even more so if they have participated in two temporary employment programs. By contrast, for applicants for the low-skill position (room cleaner) such participation is never assessed negatively.

Why do we see these different effects? We reasoned that participation in labor market programs functions as a signal in the recruitment process. However, this signal can have a different impact depending on the labor market position of a candidate.

Thanks to our analyses, we discovered that participation acts as a positive signal for candidates who face problems in the labor market. The typical candidate who will benefit from participation in a labor market program is a non-Swiss person without professional qualifications applying for a not-so-desirable position (in this case a room cleaner). By contrast, stronger candidates who should not have too many problems finding a (reasonably) good job are likely to suffer from participation. Here, the typical candidate is a Swiss person with a vocational qualification applying for a position as a receptionist.

Employers have some knowledge of how these programs are used and interpret participation accordingly. For instance, they know that participation in a program is something to be expected from candidates who are distant from the labor market. Thus, it possibly shows some form of motivation by the applicant. In contrast, employers also know that a labor market program is unusual for stronger candidates who are expected to be able to find jobs

without help. The fact that they do get help suggests that something may be wrong with them. They might have been assessed as unmotivated by their caseworkers or might have some other problems that make labor market reentry difficult.

“Employers know that Swiss candidates, under normal circumstances, are able to find work without help and if they do need help, this may signal some problems.”

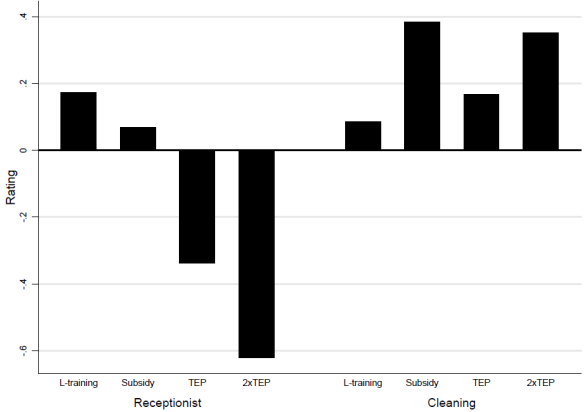
Foreign Candidates Gain More from These Programs Than Swiss Candidates

In a second step, we focused on the impact of participation in labor market programs for different groups of the population. Strikingly, the negative effect observed above for the position of receptionist is really only relevant for Swiss candidates. As can be seen in Figure 2, the perception of Swiss candidates deteriorates when they have participated in one or more programs. This does not happen, however, for foreign candidates whose rating may even increase slightly with training and the subsidy.

This result is consistent with our understanding of what determines the impact of participation. Employers know that Swiss candidates, under normal circumstances, are able to find work without help and the fact that they do need help is seen as a negative signal.

Interestingly, the effect of program participation does not vary according to nationality for applicants for the lower-skill position (room cleaner), but it does vary according to qualifications. In another analysis on the impact of education, we discovered that the positive effect observed in Figure 1 is almost exclusively due to an improvement in the evaluation of candidates without any professional qualification. However, candidates with some professional training (a two-year vocational diploma) do not benefit from program participation in the eyes of employers.

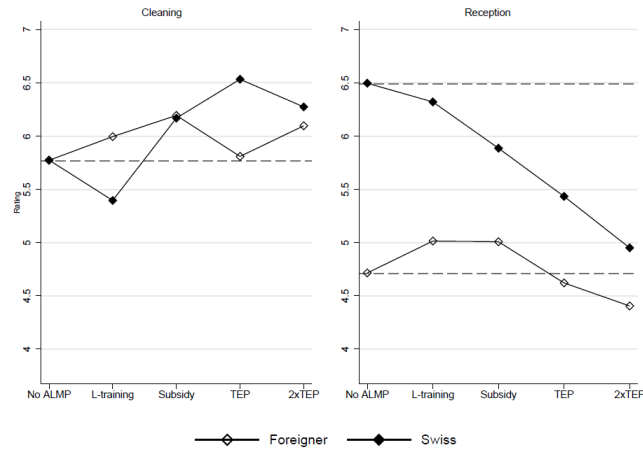
Figure 1: Effect of Participation in Labor Market Programs on Employers' Perception of Candidates



Note: This graph shows the effect of participation in labor market programs compared to non-participation (0-line). Example of how to read: A candidate who applied to work as a receptionist and participated in two temporary employment programs, was assessed 0.62 points less well than a candidate who applied to the same position but did not participate in a program (on a scale of 1 to 10).

- Legend:
- L-training: foreign language training
 - Subsidy: employer receives a subsidy if the person is hired
 - TEP: one temporary employment program
 - 2xTEP: two temporary employment programs

Figure 2: The Effect of Participation in Labor Market Programs on the Rating Differs by Nationality



Note: The dots/squares show the average rating of the candidates participating in different measures on a scale of 1 to 10.

- Legend:
- No ALMP (active labor market policies): the person did not participate in a program
 - L-training: foreign language training
 - Subsidy: employer receives a subsidy if the person is hired
 - TEP: one temporary employment program
 - 2xTEP: two temporary employment programs