

CAN COUNSELING HELP THE UNEMPLOYED?

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Abstract

This paper includes both theoretical arguments and empirical evidences of existing literature to present benefits and drawback of counseling - an active labor market tool. Counseling not only reduces the cost for government in progress of transit the unemployed to employment but also could help job seekers get better and stable job. However, case workers and private provider could cream-skim to optimize their benefit which is harmful for the subjects of this policy. Besides, counseling can be improved by employing intensive counselling or high personalized plan support unemployed. Although job assistance monitoring and sanction help counseling to promote result on exit to employment, effect lasts not in long-term.

Keywords: Counseling, job search, the unemployed, case worker, monitoring, sanction

INTRODUCTION

Job search counseling is the main part of public employment service in the active labor market policies. The review of Rosholm (2014) suggests that policies should distribute greater weight on using counseling than traditional activation policies like training courses because of interests in cost, convenient in scaling and varying content, and no lock-in effects. Nevertheless, those features are not enough to conclude that counseling can work. Researchers do not often include both theory and empiricism and focus on outcome evaluation. This paper includes several theoretical analyses and empirical evidences which are based on various counseling programs in several European countries, so apparently there are disparities in researches. However, it is necessary to indicate benefits as well as drawbacks of counseling for policy maker namely caseworkers, providing services by private sector, and mixing counseling with monitoring or sanction in job search assistance.

THEORETICAL ARGUMENTS

Counseling has appeared and existed for a long time with active labor market policies. Economists usually considered it as a policy to increase job search's efficiency, decrease unemployment period, and increase the reemployment spell. Counseling is implemented in local job center with budget provided by the government. The unemployed can participate voluntarily but in most programs it is mandatory to attend counseling meetings. In those programs, participants are classified according to their unemployment history, assessed skills, determined plan of actions, and they keep in touch with case worker by meetings, callings and emails.

Rosholm (2014) indicated the efforts of case workers during meetings with the unemployed. Counselors advise participants which channels to search jobs, identify requirements for searching, support in writing curriculum vitae, cover letter, and prepare job interview. This increases the number of opportunities for participants. They also encourage the unemployed to keep searching and help them fix mistakes after unsuccessful applications. Besides, case workers give valuable information about specific job openings, or skills that are demanded by the local labor market. Thus, participants can build a suitable strategy with realistic expectations in searching job and transit to employment earlier. However, when there are more candidates than vacancies, several participants cannot get job while the government still have to pay counseling fee for them. Besides, counseling benefits for the unemployed who has several skills demanded by labor market than the less employable.

Crépon et al. (2005) argued that some unemployed do not have adequate information about their capabilities and the jobs having suitable characteristics. Therefore, providing valuable information can enhance job search efficiency then affect not only quantity but also quality including job offer arrival rates and stability of accepted jobs, respectively. Crépon and his colleagues used a simple model to explain influence of measures. Two most important elements are capabilities of workers (s) and features of job (c). The relation between these two seeds creates quality of matching between job and worker ($m(s, c)$) which certainly affects job offer arrival rate $p(m(s, c), c)$, wage $w(m(s, c), c)$, and the job destruction rate $q(m(s, c), c)$. Those functions also depend on the characteristics of job. Assuming that λ is efficiency of searching job, $V_U(s, c)$ is search values, $V_E(s, c)$ is employment values, r is the discount factor, and b is unemployment benefit, we have:

$$rV_U(s, c) = b + \lambda p(m(s, c), c) [V_E(s, c) - V_U(s, c)]$$

$$rV_E(s, c) = w(m(s, c), c) + q(m(s, c), c) [V_U(s, c) - V_E(s, c)]$$

$$\Rightarrow rV_U(s, c) = b + \alpha(m(s, c), c) [w(m(s, c), c) - b]$$

$$\text{with } \alpha(m(s, c), c) = \frac{\lambda p(m(s, c), c)}{r + q(m(s, c), c) + \lambda p(m(s, c), c)}$$

Regarding counseling schemes, it helps participants to determine more clearly their s and the corresponding c of jobs so their function $m(s, c)$ can be improved. As a result, value of p , w , and q can be changed positively. In case counseling increases the job search efficiency λ which causes a variation in V_U and V_E and hence shifts one of elements p , w , and q besides unemployment exit rate and unemployment recurrence rate which can be measure by the rate of p , q between treated and non-treated participant, respectively.

Another theoretical analysis is van den Berg and van der Klaauw (2006) which concluded that the unemployed obviously benefit from counseling treatment. They mentioned that counseling increases job search efficiency and the expected discounted income, reduces reservation wage, and all these effects lead to an improvement in unemployment exit rate. However, a limitation is that they did not study the quality of counseling namely the stability of job after reemployment. In addition, both referred analyses did not give constrain of budget for an individuals. They are based on the view of benefit for the unemployed, so both analyses did not count the cost-benefit element.

Generally excluding the cost-benefit effectiveness, counseling theoretically helps the unemployed to increase their possibility to be employed, get better job and increases their employment spell.

EMPIRICAL EVIDENCE

General effect

Although theories support effect of counseling on unemployed workers, it is still a controversy in empirical researches. There are two outstanding researches giving theoretical arguments and evaluating counseling effect per se, particularly Crépon et al. (2005) and Van den Berg and Van der Klaauw (2006).

Crépon et al. (2005) studied effects of intensive counseling schemes provided for around 20% of unemployed workers at a high cost of 600 million euro a year within the French unemployment policy reform in 2001. In this project, meetings are not used to monitor job-seekers. There is one compulsory meeting to determine level of necessary assistance then the frequency depends on participants' profile but it occurs at least every 6 month. Counseling is designed into 4 schemes to personalize solution then increase effect of counseling: *Skill assessment* determines participants' professional skills; *Project assessment* aims at professional experienced individuals having problems with finding compatible job; *Job-search support* helps unemployed workers defining their carrier well but finding difficulties in searching job; *Project support* targets subjects who want or need to change profession. Those treatments gave participants suitable solutions to increase their matches with suitable job. Counseling

schemes reduced the rate of recurrence by 7% from 33% to 26% after one year. Case workers succeeded in selecting subjects who need the treatments most. Participants are seriously unemployed and at risk of being unemployed again, in particular, personal issues, motivation problems or lack of understanding about labor market but they own features helping them to get a job, for instance, age or education. Whereas, impact on exit to employment is not significant, in particular, increased by 0.5% after one year and went up by 1% after two years. This number is relatively small because counseling schemes are applied for only about 20% of the unemployed and it aim at enhancing effectiveness of job matches which raise stability of job for workers.

In contrast, Van den Berg and Van der Klaauw (2006) found no effects of counseling on transition rate to employment in the Counseling and Monitoring program in the Netherlands implemented in 1998. This program provided services for about 60% of unemployment insurance recipients who are considered to have adequate searching job skills and classified as Type I with the relatively low cost of 152.46 euro per individual for 6 months counseling. In the first meeting, case workers assess quality of application, advice which channels to find job, and give plan of action for the next month. Search activities of participants are reported weekly and in the monthly meeting, counselor evaluates actions in previous month. In case the unemployed do not follow the plan, they can be sanctioned with 10% reduction in unemployment insurance benefit for 2 months. Their estimation results showed that value of treatment effect on the exit rate to work is 6% but insignificantly which means that counseling and monitoring program does not improve the unemployed situation. They also test whether the small sample size leads to insignificant outcome but it points out that they need at least a double value of treatment and 4 times bigger sample size to get significant result. Despite the low cost for counseling, it is obvious that the program is simple and applied for all participants with lack of compatibility. The authors also admit that this is not an intensive counseling program and high-intensity programs may have better effect on the exit rate to employment. In addition, in the survey about effect of programs, respond from participant deny effect of counseling and consider it as a monitoring measure than advisory which leads author to conclude that monitoring is more important than counseling in an active labor market policy.

Apart from assessing counseling program's output with features like the transit rate to employment or job offer rate, it is necessary to account for the process in which the unemployed interact with case workers, other measures needed to ensure effectiveness of counseling, and providers assisting public employment agency.

Case workers

Apart from helping unemployed workers to increase search job efficiency, there are various issues derived from case workers influence job-seekers which are summarized in OECD (2015a) from empirical studies.

Firstly, lower caseload per counselor increase efforts for counseling and contacts with employers which decreases unemployed period. An experiment in German reduced caseload of staffs from normal ratio (1:80 to 1:250) to a lower number of 1:70 and achieved shorter unemployed duration then reduced expenditure on unemployed benefit. A research in Switzerland discovered that the similarities of case worker and client about social background such as nationality, gender, education or age raise the communication between them then raise possibility exit to employment by about 4%. However, one or two similar points are not enough to create significant effects (Behncke et al, 2008). Moreover, if attitudes of counselor toward participant also is strict than easy and less cooperative with participant, the rate of employment possibility increases by merely 2% and effect remains up to 3 years (Behncke et al, 2007). The relationship of case worker with employers is very important in increasing employment rates because case worker can catch useful information about vacancies and demand of firms to refer the unemployed workers.

In addition, a potential negative effect on participant in counseling program is creaming or cream-skimming in which case workers focus more on prospective subjects who can exit to employment easier or may find job without helping of counselor. It is not clearly researched in empirical analysis about counseling effects but mentioned in several papers about managing public employment agencies' performance and paper discussing about performance of private providers. However, creaming can happen with any counselor who wants to deal with a great number of caseload. In one hand, creaming can move the unemployed quickly to employment. In other hand, it not only makes the poor prospective workers' situation worst such as become long-term unemployed workers or shift to other type of benefit but also creates deadweight loss reducing cost effectiveness when providing services for individuals who may not need it (Weatherall and Markwardt, 2010; European Commission, 2012). To improve this issue, profiling tools are applied for disadvantaged workers, particularly hard-to-place and long-term unemployed, to classify them into categories then provide suitable action plan and specific assistance or assign them into projects tailored according to their characteristics. Austria, Denmark and Germany are outstanding example. (OECD, 2015b)

Managing public employment agencies in general and managing case workers' performance in particular are necessary in delivery effective counseling to protect benefit for the unemployed participating in programs.

Private provision

Contracting private providers began in some states of US in 1990s then spread across country like Australia, Netherlands, France, and UK (Stephan, 2016). However, the less employable workers may not benefit from those programs because private firms choose prospective subject to optimize their incentive funded by the government (Behagel et al. 2014). Thus, it is necessary to look at empirical evidence.

Behagel and his coworkers (2014) evaluated two intensive counseling programs provided by Public employment agency and private providers and compared with standard program in France, in 2007-2008. Participants attending intensive programs are assigned to a counselor with much lower caseload, particularly 40 cases per advisor compared to 120 cases in the standard program. In addition, the unemployed contacts case worker at least once a week by email or phone call and a monthly face-to-face meeting in two intensive programs.

Consequently, intensive counseling in two programs raised exit rate to employment by 15% to 35% while it went to 25% in the standard track. They found that “impacts are consistently higher for the public program as compared to the private one”. Moreover, public program decreased the unemployed period by 17 days to 19 days while private providers did not. They estimated that it costs around 1500 euro per treated subject in private program to get 6% additional possibility to enter employment while it is paid maximum only 600 euro for a job-seeker. The less efficient in private provision is explained that they applied counseling technology less intensively and/or applied on wrong subjects, for instance, enrolling job-seekers with better employability, discouraging the unemployed with lower job finding rate. This is resulted from design of contract with private provider. The payment per worker ranges from 900 euro to 3947 euro and the maximum number is based on auction. Each additional job-seeker enrolled in the program, private provider is paid upfront 30% of maximum payment, 35% is paid if the unemployed finds a job, and other 35% is paid if worker stay employed after 6 months. To get high incentive, firms enroll as much job-seeker as possible and keep attention on potential participant. This implies government should design a detailed and suitable contract to limit cost loss. Besides, private providers has just started in this field, so they need time to become fully operational, to recruit and train counselors, and to build relationship with small and medium-size local firms.

If not accounting for the pressure from successful implementation in other countries like Australia, Netherlands, US and strong support of international organization like European Union, there are still possible profits when using private provider, in particular, private provision can increase competitiveness which can enhance counseling efficiency and government can adjust the scope of programs without bearing additional fixed cost by contracting out case worker.

Consequently, participants benefit better employment service from competitiveness and more intensive counseling when there are more case workers in a program.

Rehwald et al. (2015) also found that private providers offer more intensive services than public agency in a research on active labor market policies for highly educated job-seekers in Denmark, in 2011. However, they indicated that the services efficiency and cost of private provider is equal to public program which contrast with result of Behagel et al. (2014). Therefore, it is difficult to confirm benefits from private provider. The government should design policies based on labor market and politic context in general and depends on targeted subjects, public employment agency situation in particular.

Job search assistance

Because of generous unemployed benefit from the government, to ensure searching effort of the unemployed, counseling is often combined with monitoring and/or sanctions in a job search assistance program. In some countries, job search assistance program also provides training course for unemployed workers. (McVicar, 2014; Thomsen, 2009)

Counselors in job search assistance programs not only advice unemployed workers but also take responsibility of monitoring and evaluating job-seekers' search activities involving search methods, time for searching, and contacts with employers. Case worker can impose sanctions if job-seekers' effort is not adequate, reject suitable job offer, deny participating in training course, or do not comply administrative requirements (McVicar, 2014).

McVicar (2008) studied impact of monitoring in Northern Ireland on male unemployment duration and employment entry rate during temporary suspension of monitoring while job search services, job search requirements and other benefits were unchanged. Changing from monitoring by face-to-face interviews to other easy type such as mail caused an increase by 10%-16% in unemployment period. In addition, under no monitoring regime exit rate to employment decreased by 26%, exit rate to education and training increased by about 36%, and exit to other benefits increased by 8%. In contrast, Van den Berg and Van der Klaauw (2006) indicated that monitoring effect in Counseling and Monitoring policy in Netherlands is small and inefficient to change exit rate to employment but it orients unemployed workers to search jobs through formal channels instead of informal channels. Thus, it is apparent that monitoring can strengthen effect of job search assistance policies.

Regarding impacts of imposing sanctions, research of Svarer (2007) is evidence about applying sanction on unemployed workers participating in counseling programs under monitoring of public employment agency in Denmark. He found strong effect on exit rate out of unemployment, in particular a rise by 98% and 50% in Danish male and female workers,

respectively. Most sanction cases are loss benefits for 2-3 days and tough sanction of losing benefit for 3 weeks is imposed on only around 15% cases but it increased exit rate to more than 200% with female and to more than 100% with male. However, effects do not exist for long time, particularly effects peak after imposing sanction one month and decrease dramatically to no effect after 3 months. In addition, different groups of unemployment react differently with sanction.

Monitoring and imposing sanction on the unemployed can raise the exit rate to employment. These are supplement measures should be considered to combine with counseling in a job search assistance policy to boost results.

DISCUSSION

Evaluating impacts of counseling on benefits of the unemployed requires multidimensional discussion. On view of interest for unemployed workers, counseling should not only reduce unemployed period, increase possibility to exit to employment but help them find compatible and stable job. A successful program may not increase the exit rate to employment but improve the opportunity to get job, wage, and stability of job after being reemployed.

Additionally, how program is implemented in fact is decisive feature and it varies according to countries and programs. This inevitably leads to controversy about counseling effect. Counselors are not simple advisors for the unemployed, their workload, behavior, similarities with participants, and relationship with firms directly affect subjects' employability. Service provider decides the professional and efficient levels are delivered to unemployed workers. Monitoring and sanction are related to compliance of the unemployed.

Concerning implication for enhance counseling programs, caseworkers, clients, and policies play the role as suppliers, demanders and the rules in a market with the product of counseling. Managing performance of case workers and private provision are issues related to suppliers. Job search monitoring and benefit sanctions are used to ensure participants to follow the rules of program and contribute more to effect of counseling. At the same time, case workers and the unemployed have to comply with requirements of the policy. Improving activities of any elements can create positive results although the relationship between it is relatively complicated and need to be combine appropriately.

The successful case with the hard-to-place workers in Germany is an example for integration of almost elements mentioned earlier with intensive counseling in a program. Bookmann and Brändle (2015) analyzed the effect of counseling on the "Perspektive 50plus" Program in Germany starting in 2005. Before 2005, unemployed people aged 50 and above only simple received the unemployed benefit for individuals who are ability to work. Many firms

hesitate to hire older worker. Furthermore, old workers have several obstacles including low levels of formal education, bad health, lack of social integration and a long history of unsuccessful attempts at returning to work. In this program, participants are assessed skills, assisted with job search, training courses, improving health and mobility. It is recorded that “Perspektive 50plus” generated positive and large effect on the treated, in particular, after 17 months the integration probability of the treated increase by 14% and roughly 52% of treated welfare recipients have been integrated into labor market. Organization of this program is flexible and unique. Federal Ministry for Labor and Social Affairs introduced it as a competition between job centers and use private provider to monitor. Counselors are staffs in job centers or external caseworkers. The attending of older workers can be voluntary or mandatory. Moreover, the governance emphasizes the result to integrate into labor market so it encourages job centers to focus on better prospective individuals with specific incentives.

Over about two decades, economists have researched various dimensions of counseling and policies maker also innovate programs for the unemployed, hence this paper may not cover all issues as well as follow alternatives in polices. Generally, counseling per se is the necessary condition but not sufficient for an assistance policy. In case applying counseling measure only, policy makers should consider carefully subjects, managing caseworkers, suitable provision for scale of project, and targeted outcomes when design program.

CONCLUSION

Values of counseling should be approached both in quantity and quality, specifically the number of receiving offer, exit to employment, and stability, compatibility of job. Intensive counseling and high personalized plan support unemployed worker better than program simply provides advisory service but the government may take burden of cost. Besides, counselors with similar social background, tougher attitude toward unemployed worker, and better relationship with local firms will improve the unemployed situation while creaming strategy affect employability of disadvantaged workers. Private provision has just participated in counseling field so they have limitation in experience of providing counseling to subject and relationship with local companies. Additionally, private provision’s optimized profit strategy can affect counseling quality supplied for less employable workers but private sector is a good choice to scale up of cut down scope of counseling program without engaging long-term with counselors. Job assistance monitoring and sanction help counseling to promote result on exit to employment but effect lasts not in long-term. Thus, programs for the unemployed as well as further empirical researches evaluating counseling effectiveness should consider both benefits and drawbacks above to build an appropriate framework. Thus, counseling brings about both benefits and drawbacks for

unemployed workers so that much consideration is required in building beneficial programs for the unemployed. Further empirical researches should take into account elements above to build an appropriate model evaluating how counseling policies work not only limiting in European countries but also in the other regions. Moreover, it is important to find out novel influence factors to complete the knowledge about counseling.

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