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Private and Public Provision of Counseling to Job Seekers: Evidence from a Large Controlled Experiment[†]

By LUC BEHAGHEL, BRUNO CRÉPON, AND MARC GURGAND*

This paper reports the results of a large-scaled randomized controlled experiment comparing the public and private provision of counseling to job seekers. The intention-to-treat estimates of both programs are not statistically different, but more workers were enrolled in the private program, implying an effect per beneficiary that is twice as large under the public as under the private program. We find suggestive evidence that the private firms may have insufficiently mastered the counseling technology, and exercised less effort on those who had the best chance to find a job. This highlights the incentive problems in designing contracts for these services. (JEL J22, J64, J68)

Job search counseling policies have received increased attention both from policymakers and researchers in many countries over recent decades. Evaluations show that they are generally effective, especially compared with more traditional active labor market policies, such as training and subsidized employment (Card, Kluve, and Weber 2010). Since the late 1990s, governments have enabled the rapid expansion of job search assistance to a large number of unemployed persons by relying more and more on publicly funded private providers (Finn 2011). Australia (since 1998) and the Netherlands (since 2001) have allowed private providers to completely or partially take over individual assistance to job seekers. Similarly, in the United States, a significant minority of states has started contracting out case management and eligibility determination to private providers (e.g., McConnell et al. 2003). These early movers have been emulated by others, with strong support from international organizations such as the Organisation for Economic Co-operation and Development (OECD) and the European Union.

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In France, this enthusiasm led to the launch of large-scale counseling programs provided by private contractors for job seekers who were hard to place. The fee associated with the whole service delivery to a job seeker was as high as €4,000, far above the €600 of the very same program simultaneously launched by the Public Employment Service—a difference that reflected how large expected gains were.

While there is a growing literature evaluating job search programs,¹ to our knowledge, very few of these papers allow direct comparison of the effects of public versus private provision of the service. The theoretical literature that examines the implications of outsourcing public services to private companies underscores a basic trade-off. Private entrepreneurs may have stronger incentives to invest in cost-saving and quality-enhancing technologies. However, when quality or effort is imperfectly observable, their incentives to engage in pure cost reduction may be too strong.² Specifically, the effort of the private job placement contractors is hard to monitor and is only partly reflected in placement outcomes, given the role played by the job seekers' own efforts and characteristics. The typical outsourcing contract assigns the private provider a fixed payment per job seeker at enrollment, and a conditional payment at delivery (job placement). Such contracts may have two types of perverse effects, depending on the exact payment structure. If the conditional payment is relatively large, private providers may maximize their profits by selecting the job seekers they enroll to have the best labor market prospects (cream-skimming); but if the fixed part of payment is relatively large, they may enroll any job seeker and just offer a bare minimum of services (parking). Contracting issues may thus undermine the advantages of market discipline.

This paper reports on a large-scale randomized experiment testing an intensive job seeker assistance program for those at risk of long-term unemployment, which was simultaneously provided by the public employment agency and private contractors in France. The two arms of the new program followed identical principles and provided much more intensive assistance than the standard track followed by job seekers. In either arm, the caseload ratio was limited to 40 job seekers per personal advisor, compared to about 120 in the standard track. Contractors providing the private program were paid partially when the job seeker entered the program and partially on delivery, if the job seeker found a job within six months and kept it for at least six months.

¹ See the meta-analysis in Card, Kluve, and Weber (2010). Dolton and O'Neill (1996, 2002) and Blundell et al. (2004) provide evaluations for the United Kingdom; for instance, Blundell et al. (2004) find that a mandatory job search program in the United Kingdom increased outflows to jobs by 20 percent. Meyer (1995) and Ashenfelter, Ashmore, and Deschenes (2005) report results for the United States. By contrast, analyzing a Dutch randomized experiment, Van Den Berg and Van Der Klaauw (2006) find no evidence that counseling and monitoring affected the exit rate to work. More recently, Graversen and van Ours (2008); Rosholm (2008); Bernhard and Wolff (2008); and Hägglund (2009) find positive effects for Denmark, Germany, and Sweden. Autor and Houseman (2010) show that job placement firms tend to fulfill their obligations by means of temporary help jobs, also observing that this leads to significantly lower labor market integration.

² See, in particular, Grossman and Hart (1986); Shleifer (1998); Hart, Shleifer, and Vishny (1997); and Besley and Ghatak (2001). In their recent survey on the impact of outsourcing public services, Andersson and Jordahl (2011) find that private providers tend to be more efficient than public providers for services where effort and quality is easily observed, thus, where contracting presents few obstacles (such as garbage collection). In contrast, the conclusion is mixed or reversed for activities where contracting is difficult (they mention prisons and residential youth care).

The experimental design assigns job seekers to one of three groups at the beginning of their unemployment period. The first is a control group, where they receive the standard services provided by the Public Employment Services (PES). The second group is assigned to the public intensive program, and the third, to the private intensive program. Job seekers assigned to one of the treatment groups are free to enter that program or not; if not, they are sent to the standard track (the same program as received by the control group). We analyze results on a sample of 43,977 job seekers eligible for unemployment benefits throughout the country.

Intention-to-treat (ITT) estimates show that the two treatment programs perform quite similarly, although the public program has a slightly stronger impact. However, entry rates into the programs differ strongly: take-up in the private program (40 percent) is one-third higher than in the public program (32 percent). As a result, local average treatment effects (LATE) on program recipients are much larger in the public program. We estimate that the public program increases exit to employment by 10.2 percentage points after 6 months (a sizable increase, given counterfactual job finding rates are around 20 percent), whereas the corresponding private program impact is 4.5 percentage points. Further, the public program works very rapidly. After three months, transitions to employment are already increased by 11 points, whereas the impact is yet insignificant in the private program. We perform a simple cost-benefit analysis based on the number of days of unemployment benefit receipt and find that the private program does not reduce that number, but the public program reduces it by 18 days (in a 365-day window). As a result, the private program generates a large and significant increase in total net expenses, whereas the public program generates a sizable, although statistically insignificant, reduction.

We examine various explanations for the gap in the programs' effectiveness. The large, unconditional payment private contractors received when enrolling job seekers could have given them incentives to maximize enrollment, and thus led to the higher take-up of a possibly very specific population of job seekers for whom intense counseling was ineffective. However, based on a decomposition, we find that the public program still dominates the private one for job seekers who are comparable in terms of a large set of covariates (in contrast, different population structure between the two programs plays no role in the performance gap). Based on additional but more tentative evidence, we put forward three plausible explanations for this. First, the private program is significantly less effective with the most employable job seekers, suggesting that private counselors may have provided them with less support on the premise that they would find a job anyway. Second, given indications of heterogeneous performance across the different private providers, we suspect that some of them may have achieved less of a handle on the counseling technology than their public counterparts. And third, counselors in the private program did not sanction job seekers who failed to comply with the search requirements associated with unemployment benefits.

Our results are in sharp contrast with policymaker enthusiasm for outsourcing job search services; however, the few available empirical evaluations reach broadly consistent conclusions. Bennmarker, Grönqvist, and Öckert (2009) conduct a randomized trial in Sweden and find some positive employment effects to contracting employment services out to private companies, but it is unclear whether these

should be attributed to the more intensive counseling or to the fact that the service was contracted out. In our experiment, we compare similar counseling practices at similar intensities so that we are more able to inform about the impact of the private/public management structure. Also in Sweden, Laun and Thoursie (2014) use a randomized trial to compare public and private programs of similar cost and intensity meant to rehabilitate those on long-term sick leave, and find no differences between the two. In Germany, Krug and Stephan (2011) randomly assign job seekers to mandatory counseling programs and find that the public version performs significantly better than the private one. However, none of these papers analyzes the reasons for the lack of value added from outsourcing.

The rest of the paper is organized as follows. The next section describes the public and private programs. Section II presents the experiment. Section III gives the main findings, directly derived from the experimental setting. Section IV explores heterogeneity of treatment impact and how it can help interpret the differences between the two programs. Section V presents elements of cost-benefit analysis and Section VI concludes.

I. Public and Private Programs

A. The Public Program

The French Public Employment Service (PES) has a long tradition of offering a wide range of counseling services to a broad and diverse population of job seekers. To meet the needs of specific subpopulations, the PES regularly creates new counseling products—among these are programs on achieving self-knowledge (strengths, weaknesses, market values, reasonable expectations); knowing about firms (what they need and are searching for, what their constraints are); learning search methods (search channels, writing resumes, applications, interviews); and researching the job field to get precise knowledge of relevant local opportunities and networks.

In 2007, the PES launched a counseling program for 40,000 job seekers at risk of long-term unemployment but without peripheral problems (social, psychological, or addiction-related). The target is, within the six-month duration of the program, to find the job seeker a durable job, which is defined as lasting at least six months. The program assigns the job seeker a “personal advisor,” who has a caseload reduced to 40 clients and who meets with the client weekly and searches for job offers with her, sometimes applying directly in her name. This is a significant increase in the human resources dedicated to one-on-one assistance compared to the usual track, where caseworkers are assigned an average of 120 job seekers, with whom they meet monthly. The program seeks to strengthen the relationships between advisors, job seekers, and hiring firms, and encourages the empowerment and motivation of those enrolled by having them sign a charter.³

³Formally, and in contrast to comparable job search experiments in the United States (Meyer 1995; Ashenfelter, Ashmore, and Deschenes 2005), the treatment does not directly include stricter enforcement of search requirements, although the more frequent interactions with caseworkers may be viewed as increased monitoring.

The PES recruited caseworkers for the new program from among their existing staff by means of a special call for tender, then compensated for their reassignment with a hiring drive. The means available to deliver the standard counseling program thus remained almost constant. In most instances, caseworkers in the new intensive program met with their clients in dedicated offices outside local agencies.⁴

The price of the new program is not precisely measurable, since the PES's accounting procedure at the time of its inception did not separate out precisely the costs of each service. There are, however, estimations that provide orders of magnitude and put it at €657 per client. This includes caseworkers' wages as well as the increased costs resulting from the modified service structure, as well as the equipment involved. This is far above the cost of the standard track, €120 according to the same method.

B. The Private Program

Before 2005, the public employment agency (*Agence Nationale pour l'Emploi*, ANPE) had a monopoly on the placement of unemployed job seekers. The Social Cohesion Act (*loi de cohésion sociale*, January 2005) opened up this market to private companies. In 2005–2006, the French unemployment benefits provider (Unédic), distinct from ANPE, started experimenting with intensive counseling, provided through contracts with private companies and targeted at the inflow of claimants identified as at risk of long-term unemployment. Unédic's program had the same components as the intensive program provided by the PES and also increased human resources dedicated to counseling: it lasted six months, involved a weekly meeting between the job seeker and the caseworker, and imposed a limit of 40 job seekers per caseworker. While the measure of success was the same, finding the job seeker a job lasting at least six months, Unédic had an additional requirement, that work time should exceed 110 hours per month.⁵

In 2007, Unédic decided to scale up this program, targeting 41,000 job seekers among those eligible for at least a year of unemployment benefits. Private providers were selected through a bidding process, conducted separately in 16 areas.⁶ The private providers eventually selected belonged to three groups: temporary agencies, consultancies specializing in the placement of workers after mass layoffs, and international placement firms (from Australia and the Netherlands). Out of the 43,977 job

⁴PES employees were free to apply for the new program or not; selection occurred at the national level. Caseworkers enrolled were heterogeneous; in particular, the new program included both seasoned caseworkers and young ones without much experience. On average, however, enrolled caseworkers shared the characteristic of being highly motivated. They were attracted by the possibility of participating in a program that allowed them to do their job in good conditions, with more time to focus on the specific needs of each job seeker due to a lower caseload and better equipment.

⁵Capelier and Mizrahi (2008) conduct a qualitative comparison of the two programs and find very few differences. According to another qualitative study by Divay (2009), the methods used by providers in the private program are not particularly innovative, compared with what the PES has been doing since the 1990s. What is new, however, is the intensity of both programs.

⁶There were 25 bids organized. In this paper, we report the impact of programs only when both were simultaneously implemented. We eliminated Alsace and Midi-Pyrénées regions, as significant departures from experimental protocol occurred there. Therefore, we only consider contractors selected in 15 of the 25 bids, and they were operating in only 4 French regions: Paris, North, Rhône-Alpes, and Lorraine.

seekers in this experiment, 36 percent were registered in an area where the private contractor was a temporary agency; 36 percent in an area where it was a consultancy; and 28 percent in an area where it was an international placement firm. The payment structure was common to all regions: 30 percent of the maximum payment was paid upfront, when the job seeker enrolled in the program; the remaining 70 percent was conditional on placement, 35 percent if a job was found within 6 months, and the remaining 35 percent if the worker was still employed after 6 months. The maximum payment per worker resulted from the bidding process: it varied from one region to another and ranged from €3,000 to €3,947 (Vivès 2009). This means that the minimum payment per worker was €900 (the upfront payment when the job seeker was not placed within six months), and the maximum payment was €3,947 (when the worker was durably placed in a job, in the regions with the highest bidding price).⁷ Comparing these costs with that of the public program, it is apparent that the private program cannot be cost-effective unless it is far more efficient. One possibility is that Unédic wished to encourage the formation of an as-yet-nonexistent market for counseling agencies, and set generous prices to attract them.

The Ministry of Labor ran a telephone survey on a subsample of the unemployed enrolled in the experiment in March 2008—i.e., 9 to 11 months after their assignment to 1 of the 3 groups. Gratadour and Le Barbanchon (2009) used the information in the survey to provide a more precise idea of the programs' actual contents. They showed that both the private and public programs substantially increased the number of meetings with caseworkers, as expected. They also showed that job seekers received more frequent trainings on search methods and channel identification, e.g., firm targeting and Internet searches. However, neither of the two programs significantly increased the number of job offers presented to job seekers, which is surprising since the goal of the intensive programs was to forge stronger relationships between job seekers, counselors, and hiring firms (for more details, see Behaghel, Crépon, and Gurgand 2012).

II. Experimental Design and Data

A. *Experimental Design*

The public and private programs were evaluated jointly in a randomized controlled trial. The two programs were developed in the same Local Employment Agencies and were opened to the same population. Eligibility was restricted to job seekers entering unemployment and entitled to at least one year of benefits.

Randomization was used to create three experimental groups: the control group (assigned to the usual track, without intensive counseling), and two treatment groups

⁷ One may wonder why contracts were designed with such large upfront payments, despite the obvious incentive problem. We believe that this is mainly due to the political economy context of the experiment. Unédic was eager to create a private market for placement, previously nonexistent in France. Firms would need to bear large fixed costs and would not enter the market unless they had some assurance that these costs would be covered. This infant industry argument should have implied, if anything, that the principal would make a lump-sum transfer to the firms, rather than a transfer indexed on the number of enrolled individuals, but this was never considered (and would have raised moral hazard issues of its own). Imitation was also at play. As detailed below, the chosen contract structure is close to outsourcing contracts used in several other European countries.

(assigned to the public or private program). It took place during the first interview at the local PES office (upon registering as unemployed). Once the caseworker had assessed the job seeker's eligibility, he ran an Extranet program to randomly assign her to treatment 1 (public program), treatment 2 (private program), or the control group. The probabilities of assignment to each group varied locally so as to maximize the statistical power of the evaluation while complying with the quantitative objectives of each program (each local area had targets in terms of recipients of the two programs). This often implied very high probabilities of assignment to the private program (up to 85 percent), and much lower probabilities of assignment to the public program (down to 6 percent) and control (down to 9 percent).⁸

After this randomization, the employment service agent told the job seeker which track she was offered. Job seekers assigned to an intensive track were free to turn it down but were denied participation in the other intensive track and were redirected to the standard track. Job seekers assigned to the standard track were denied participation in either intensive program. Job seekers were subsequently contacted by PES staff for the usual track, by a dedicated caseworker from the public intensive program, or by one of the private firms. Job seekers from the two treatment groups entered the program by signing a specific agreement; if they refused to sign, did not show up, or were eventually found not to meet the criteria of the intensive program, they went back to the usual track.⁹ As a consequence, the three-pronged experiment we consider amounts to the juxtaposition of two two-pronged experiments, each involving the control group and one treatment group. They could theoretically be analyzed separately and, given their one-sided noncompliance, the two-stage least square estimates we can produce from each experiment can be interpreted as Treatment on the Treated parameters (Bloom 1984; Angrist and Pischke 2009).

The random assignment took place over 12 months, from January 2007 to December 2007, in 216 local public employment offices in 4 of the 22 French administrative regions. Overall, 43,977 job seekers entered the evaluation sample considered here. Among them 4,565 (10.4 percent) were assigned to the control group, 3,385 (7.7 percent) to the public program, and 36,027 (81.9 percent) to the private program (see Table 1).¹⁰

B. Data

Administrative and Survey Data.—Our primary source of information is the PES administrative records. They provide basic sociodemographic information on the job seekers involved in the experiment. They also allow us to follow job seekers for 12 months after random assignment and to compute the duration of all

⁸Our estimation procedure, detailed below, accounts for locally based assignment probabilities using weights.

⁹A significant share of each treatment group (about 60 percent on average) did not actually enter the program they were assigned to. These high rates of noncompliance along with the unbalanced assignment probabilities are factors limiting the precision of the evaluation. Fortunately, these are counteracted by the large samples.

¹⁰The table seems to imply that the private program was implemented at much larger scale than the public one. This was, however, not the case. Both programs targeted about 40,000 job seekers; however, the public program targeted job seekers who were only eligible for short-term unemployment benefits, in addition to the long-term unemployed. We drop those job seekers from our sample, as they have no counterpart in the private program. Results on these other populations can be found in Behaghel, Crépon, and Gurgand (2012).

TABLE 1—SURVEY ON EMPLOYMENT OUTCOMES AND ATTRITION

	Sample (a)	Exits		Survey			Final attrition (%) $\left(\frac{c}{a}\left(1 - \frac{e}{d}\right)\right)$
		All (b)	Unknown (c)	Sampling (d)	Respondents (%) (e)	$\left(\frac{e}{d}\right)$	
<i>Assignment</i>							
Private program	36,027	12,864	6,274	1,980	996	50	9
Public program	3,385	1,322	647	647	331	51	9
Standard track	4,565	1,690	881	881	473	54	9
All	43,977	15,876	7,802	3,508	1,800	51	9

Notes: The table provides information about assignment and surveys. Each line corresponds to a different assignment (private program, public program, or standard track). Column 1 gives the number of job seekers assigned to each group. Columns b and c give the number of job seekers leaving unemployment and the number of them leaving unemployment with unknown exit. Column d gives the number of surveyed job seekers with unknown exit. Columns e and $\frac{e}{d}$ give the number of respondents and the response rate. The last column gives the share of job seekers whose reason for exit remains unknown after the survey.

Sources: Job seekers register (ANPE), private contractor register, and surveys of job seekers with unknown exit

registered unemployment spells. This information is relevant as long as the unemployed remain unemployed. However, the end of a registered unemployment spell may be due to quite different events, and this information is frequently missing, in which case it is usually labeled as “Unknown Exit.” The use of “Exit from unemployment” without knowledge of the type of exit is an important source of bias in evaluation (Card, Chetty, and Weber 2007). In our data 15,876 spells out of the 43,977 job seekers involved in the experiment (36.1 percent) left unemployment during the year, and for 7,802 of them (49 percent), the information about the type of exit was missing (see Table 1). From this single source of information, therefore, we cannot tell whether an exit from registered unemployment was due to job placement or to a “discouraged job seeker” effect, or to any other reason. To overcome this problem, as part of the experimental design, an independent survey company was commissioned to conduct a very short phone survey on a subsample of workers whose destination upon leaving unemployment was not identified in the administrative records. The questionnaire was extremely focused so as to mimic the form that job seekers are supposed to fill out upon exiting registered unemployment. It had a maximum of four questions. We used the first: “Question 1. During the month of ..., you stopped being registered at the PES. What was the reason?” Table 1 reports the sampling probabilities. They were optimized to partly correct for the imbalance of assignment rates between treatment and control groups. To avoid recall error, the survey was conducted monthly on those who had recently left the unemployment registers, during a period of 12 months after the initial assignment. Response rate to this survey was 51 percent on average, with limited difference between the three experimental groups.

To measure transitions from registered unemployment to employment at various horizons, we use information from the administrative record and, if missing, information from that survey. As shown from computations in Table 1, the overall attrition rate, collapsing administrative records, and survey information, was limited to 9 percent, and well balanced among the three experimental groups. We treat subsequent nonresponse as random. Each month new individuals to be followed

through the short survey had to be sampled. As a result, the number of individuals used in regressions at different horizons is different from one horizon to another. For example, our whole sample has 43,977 observations, but our regressions at 6 months use 37,952 observations.

In the regressions, we will use weights computed as the inverse of the product of estimated assignment probabilities (which differ across regions) and estimated survey probabilities (which differ across region and time), to ensure representativeness of the initial sample and avoid imbalances between assignment groups.

The first type of employment outcome we consider is the transitions from unemployment to any employment at different horizons. We label it “Exit from PES registers to employment.” We also consider additional outcome variables. Job seekers are allowed to hold a job while remaining registered as unemployed. These jobs can sometimes last for a long period of time and involve a large number of hours worked. The private program sets explicit criteria of success for private contractors. In order to be acceptable for a first additional payment, the job has to involve a working time of at least 110 hours per month. However, this criterion does not require job seekers to formally leave unemployment registers. Some eligible jobs can thus occur during the unemployment spell. This is the reason why we consider a second employment outcome variable, extending “Exit from PES registers to employment” to also include jobs held while unemployed if their working time is above 110 hours per month. We label this outcome “Any employment.” Finally, the criterion for a job to be grounds for full payment to the private contractor is that it lasted at least six months. We construct a third outcome labeled “Employment eligible for payment,” which restricts the previous employment outcome to employment spells that were not followed by a new registration into unemployment for at least six months or to jobs held while unemployed that lasted at least six months.

Our analysis mainly focuses on employment outcomes at six months because it corresponds to the end of the counseling service. As such, the objectives of both programs are to bring job seekers back to employment within six months, and payment to the private contractors is conditional on this. However, we also look at employment outcomes at other horizons: three months and 12 months. We consider outcomes at three months to measure a fast impact on employment, which is desirable in particular if the objective is to save on unemployment benefits. We also look at employment outcome 12 months after random assignment so as to be able to evaluate medium-term effects of the counseling programs.

We also analyze other types of exit from unemployment, in particular striking off and exit for health reasons. These variables can be computed from the administrative records and our short survey in the same way as the outcome “Exit to employment.”

Finally, we used three other important files: the assignment file, the private contractor file, and the file registering entry into the public program. The assignment file was linked to the Extranet application used to implement the randomization. Private contractors kept a file in which they registered job seekers who actually entered the program. It was the basis for the first part of their payment: the forms signed by the job seeker served as proof of her enrollment. We used this file to measure entry into the private program. For the public program, entry was registered in the PES management file.

C. Descriptive Statistics and Balancing Tests

Data from the PES register contain substantial demographic information: highest diploma obtained, gender, age, family status, number of children, former type of occupation, nationality, region. It also contains information about the search process: reason for unemployment, experience in the desired job, statistical risk of long-term unemployment, wage target, as well as the number of previous unemployment spells. Table 2 presents summary statistics of a large set of such covariates, as well as the results of balancing tests. The first three columns present the mean value of each variable over the three different assignment samples. The last three columns present balancing test results: column 4 compares job seekers assigned to the private program with those assigned to the standard track, column 5 compares job seekers assigned to the public program with those assigned to the standard track, and column 6 compares the three populations.

Job seekers involved in the experiment are quite heterogeneous. A large share of them have some education (31 percent went to college), but 19 percent are high school dropouts. The main reason for them to be unemployed is “personal layoff” (40 percent), but that is then followed by “end of fixed term contract” (23.3 percent).¹¹ Their wage target is rather at the bottom of the French wage distribution. Thirty percent of them have a wage target around the minimum wage (the minimum wage in 2007 was €1,280 and the average wage in the private sector was €2,660) and 18 percent have a wage target above €2,200, which is close to the median wage in France.

The table also presents balancing tests. When compared across the three samples, all the mean values in the table are very close. Most of the time the test does not reject equality. We also consider joint tests. For each of the two intensive programs, they are performed as the joint nullity of the whole set of covariates in an OLS regression of the program assignment variable performed on a sample that includes only job seekers assigned to that program or the standard track. The corresponding *p*-values are, respectively, 45 percent and 54 percent. Last, we consider the joint nullity of the whole set of the previous parameters and obtain a *p*-value of 12 percent.

III. Results

A. Intention-to-Treat Estimations

We first consider intention-to-treat estimates for various employment outcomes at six months. We implement weighted OLS regressions on the model:

(1)
$$y = \beta_{Pub}Z_{Pub} + \beta_{Priv}Z_{Priv} + Xb + u.$$

In this equation, Z_{Priv} and Z_{Pub} are the assignment variables to private and public programs and X is a set of control variables.

¹¹Layoff for personal reasons is based either on a fault of the employee or on other reasons (incompetence, repeated absences). It might occur without notice or severance pay due.

TABLE 2—BALANCING TESTS

Variable names	Standard (1)	Private (2)	Public (3)	(2) = (1) (4)	(3) = (1) (5)	(3) = (2) = (1) (6)
<i>Panel A.</i>						
College education	30.9	31.9	31.8	—	—	—
Bac	20.5	19.5	18.9	—	—	—
Vocational	29.6	29.8	30.6	—	—	—
High school dropout	19.0	18.8	18.7	—	—	—
Manager	13.8	13.1	13.1	—	—	—
Technician	9.9	10.4	10.3	—	—	—
Skilled clerical worker	48.0	48.1	48.6	—	—	—
Unskilled clerical worker	13.5	14.4	13.7	—	—	—
Skilled blue collar	9.9	9.2	9.4	—	—	—
Unskilled blue collar	5.0	4.8	4.9	—	—	—
Age below 26	15.3	16.1	16.4	—	—	—
Aged 26 to 35	35.1	34.6	33.5	—	—	—
Aged 36 to 45	25.3	25.8	26.3	—	—	—
Aged 46 to 55	19.5	19.1	19.2	—	—	—
Aged above 56	4.9	4.4	4.6	—	—	—
Women	51.4	49.9	49.5	*	—	—
Married	45.7	46.2	46.2	—	—	—
No child	55.6	54.3	55.8	—	—	*
One child	18.2	18.5	18.6	—	—	—
More than one child	26.3	27.2	25.6	—	—	*
French	81.4	81.3	82.8	—	—	—
African	11.5	11.7	11.0	—	—	—
Other nationality	7.1	7.0	6.2	—	—	—
Paris region	80.1	80.9	78.7	—	—	**
North	10.2	9.9	11.1	—	—	*
Other regions	9.6	9.2	10.2	—	—	—
Employment component level 1	22.9	23.0	22.1	—	—	—
Employment component level 2	56.1	55.5	57.1	—	—	—
Employment component missing	21.1	21.5	20.8	—	—	—
Economic layoff	12.9	12.3	12.7	—	—	—
Personal layoff	40.4	40.8	42.1	—	—	—
End of fixed term contract	23.3	23.9	23.9	—	—	—
End of temporary work	5.7	5.1	5.1	—	—	—
Other reasons of unemployment	17.8	17.8	16.1	—	*	*
No experience in the job	14.3	15.0	14.3	—	—	—
One to five years of experience in the job	44.4	44.4	44.1	—	—	—
More than five years of experience in the job	41.3	40.7	41.6	—	—	—
Statistical risk level 2	38.8	39.3	39.7	—	—	—
Statistical risk level 3	36.4	35.0	36.0	*	—	—
Other statistical risk	24.7	25.6	24.3	—	—	—
Search for a full time position	91.9	92.1	92.3	—	—	—
Sensitive suburban area	13.5	13.6	13.5	—	—	—
Wage target €1,200–€1,349	29.9	29.9	31.8	—	*	—
Wage target €1,350–€1,549	17.7	17.0	16.8	—	—	—
Wage target €1,550–€1,799	8.9	8.6	8.2	—	—	—
Wage target €1,800–€2,200	16.4	16.8	16.1	—	—	—
Wage target €2,200	17.7	17.3	18.2	—	—	—
No wage target	9.3	10.4	8.9	**	—	***
First unemployment spell	61.6	62.3	59.4	—	*	***
Insertion firm region	28.0	27.6	27.9	—	—	—
Temporary help region	35.3	35.9	38.0	—	**	**
Counseling firm region	36.7	36.5	34.2	—	**	**
Assigned first quarter	16.7	17.2	17.2	—	—	—
Assigned second quarter	34.9	35.3	35.3	—	—	—
Assigned third quarter	26.5	25.7	25.7	—	—	—
Assigned fourth quarter	26.5	25.7	25.7	—	—	—

(Continued)

TABLE 2—BALANCING TESTS (Continued)

Variable names	Standard (1)	Private (2)	Public (3)	(2) = (1) (4)	(3) = (1) (5)	(3) = (2) = (1) (6)
<i>Panel B.</i>						
Observations and joint test						
Whole sample	4,565	36,027	3,385	0.45	0.54	0.12
Temporary help region	1,838	12,632	1,360	0.94	0.46	0.29
Insertion firm region	1,190	10,051	932	0.49	0.96	0.97
Counseling firm region	1,537	13,344	1,093	0.07*	0.97	0.29

Notes: Panel A: columns 1, 2, and 3 report the mean value of variables over the sample of job seekers assigned, respectively, to standard counseling, private counseling, and public counseling. Columns 4 and 5 present significance levels for balancing tests comparing assigned to private or public counseling and assigned to the standard counseling scheme. Column 6 presents the result of the joint balancing test over the three assigned populations. Panel B: columns 4 and 5 present *p*-values for the joint nullity tests of all coefficients, when regressing assignment to the private program (column 4) or to the public program (column 5) on all covariates listed in the upper panel. Column 6 presents *p*-values for the joint nullity test of all coefficients in both regressions. This is performed for the whole sample, or on subsamples of job seekers registered in regions where the private contractor is of each of the listed types.

***Significant at the 1 percent level.

**Significant at the 5 percent level.

*Significant at the 10 percent level.

Sources: Job seekers register (ANPE), private contractor register

TABLE 3—INTENTION-TO-TREAT EFFECTS ON EMPLOYMENT OUTCOMES, AFTER SIX MONTHS

	Exit from PES registers to employment		Any employment		Employment eligible to payment	
	(1)	(2)	(3)	(4)	(5)	(6)
Assigned public	3.2*** (1.2)	2.8** (1.2)	2.3* (1.3)	2.0 (1.2)	2.2** (1.1)	2.4** (1.1)
Assigned private	1.8** (0.9)	1.5* (0.8)	1.9** (0.9)	1.6* (0.9)	2.0** (0.8)	1.8** (0.8)
Controls	No	Yes	No	Yes	No	Yes
<i>p</i> -value (percent)	15.9	27.0	72.1	91.8	81.2	64.8
Control mean	23.0	23.0	35.8	35.8	21.4	21.4

Notes: Each column reports the results of weighted OLS regressions of an employment outcome variable, within six months of random assignment, on assignment variables. The first outcome (“Exit from PES registers to employment”) combines exit from the registers with information on employment status based on the job seeker follow-up. The second outcome (“Any employment”) extends the former definition to account for jobs held while unemployed as long as they lasted at least 110 hours. The last outcome restricts the former category to exits to employment or jobs held while unemployed that lasted at least six months. For each outcome variable we consider weighted OLS regression with or without the covariates listed in Table 2. Weights are based on the assignment scheme and the sampling scheme of job seekers with unknown exit. *p*-value corresponds to the test of a same effect of assignment to private and public programs (percent). Robust standard errors in parentheses; 37,952 observations.

***Significant at the 1 percent level.

**Significant at the 5 percent level.

*Significant at the 10 percent level.

Sources: Job seekers register (ANPE), private contractor register, and surveys of job seekers with unknown exit

Results are presented in Table 3. The table has three sets of columns corresponding to the three employment outcomes presented in Section IIB. Each set of columns presents results obtained without and with a set of covariates.¹² The first line of the

¹²The full set of control variables is listed in Table 2.

table gives the estimated value of β_{Pub} , and the second gives the estimated value of β_{Priv} in equation (1). The table also presents the p -value of the test of $\beta_{Pub} = \beta_{Priv}$.

The table shows that being assigned to the public program increases the probability of going back to employment within 6 months by 3.2 percentage points. Being assigned to the private program also increases significantly the chances of going back to employment, but the measured effect is only 1.8 percentage points.¹³ However, although it is substantially smaller than the effect of the public program, the difference is not statistically significant, as can be shown from the p -value in the table. The table also shows that standard errors of the estimated impacts are much smaller for the private program (0.9) than for the public program (1.2). This is due to the large difference in the number of job seekers assigned to the two different programs. As expected, the inclusion of control variables neither leads to major changes in estimated coefficients nor to any improvement in standard errors.¹⁴

As can be seen from the table, “Any employment” is quite a different outcome variable as compared to “Exit from PES registers to employment.” Indeed, the control mean for this variable is 35.8 percent, which is more than 50 percent higher than the baseline “Exit from PES registers to employment” variable (23.0 percent). The private program’s impact on this outcome is almost unchanged, but it is somewhat lower for the public program. The effect is now 2.3 percentage points, significant at the 10 percent level only for the public program, and 1.9 percentage points for the private program significant at the 5 percent level.¹⁵ The effect of the two programs on the last employment outcome, “Employment eligible for payment,” is presented in the last two columns. Both programs have a positive and quite similar impact on this outcome. Being assigned to the public program increases the chances of going back to a job that lasts at least 6 months by 2.2 percentage points, whereas assignment to the private program leads to an increase of 2 percentage points.

B. Program Participation

The first-stage regression is presented in Table 4. The table has two sets of columns. The first set of columns is related to entry into the public program. It corresponds to the OLS estimation of

$$(2) \quad T_{Pub} = \theta_{Pub}Z_{Pub} + \theta_{Priv}Z_{Priv} + \theta_{Standard}(1 - Z_{Pub} - Z_{Priv}) + Xb + u.$$

¹³These effects must be interpreted as the difference between treated and control job seekers in the same local labor market. Crépon et al. (2013) show that displacement effects can make such estimations an upper bound of the true impact of such policy in equilibrium.

¹⁴Given the difference in the number of job seekers assigned to the two programs, one might worry that the public program was implemented at a very small scale, making the comparison with the private program unfair. However, this is not the case. As noted above, the public program was simultaneously developed for other populations of job seekers, which we do not consider here because they have no counterpart in the private program. Accounting for all job seekers served, the two programs reached about 40,000 job seekers each in 2007.

¹⁵Most of these jobs were, however, short-run jobs. As shown in the last column of the table, only 21.4 percent of the job seekers found a job that lasted more than 6 months. This means that only $21.4/35.8 = 59.8$ percent of jobs counted as “Any employment” lasted more than 6 months. By comparison, the proportion of job seekers that exited unemployment to employment and did not register again in the next 6 months in the control group can be computed from the sample as 17.9 percent. This means that, according to the same computation, $17.9/23 = 77.8$ percent of jobs counted as “Exit from PES registers to employment” lasted more than 6 months.

TABLE 4—FIRST STAGE REGRESSION

Enter	Public		Private	
	(1)	(2)	(3)	(4)
Assigned public	32.1*** (0.9)	32.0*** (0.9)	2.1*** (0.3)	1.5*** (0.3)
Assigned private	0.5*** (0.1)	0.5*** (0.1)	42.8*** (0.4)	42.9*** (0.3)
Assigned standard track	0.4*** (0.1)	0.4*** (0.1)	2.9*** (0.3)	2.8*** (0.3)
Controls	No	Yes	No	Yes

Notes: Weighted OLS regression of entry into public and private programs within six months of random assignment (first stage regressions of Table 5). Column 1 displays first-stage estimates for the public program without controls and intercept, column 2 adds the (centered) covariates listed in Table 2. Weights are consistent with outcome variables, see Table 3. Columns 3 and 4 present the same results for entry into the private scheme. Outcome variables defined in Table 3. Robust standard errors in parentheses; 37,952 observations.

- ***Significant at the 1 percent level.
- **Significant at the 5 percent level.
- *Significant at the 10 percent level.

Sources: Job seekers register (ANPE), private contractor register, and surveys of job seekers with unknown exit

In this equation, θ_{Pub} is the entry rate into the public program of job seekers assigned to the public program. We expect this coefficient to be large and significant. The coefficient θ_{Priv} is the entry rate into the public program of job seekers assigned to the private program. Similarly $\theta_{Standard}$ is the entry rate into the public program of job seekers assigned to the control group. As assignment variables sum to one, this model is estimated without a constant term (centering control variables X). In the second set of columns, the table also provides the estimation of entry into the private program:

(3) $T_{Priv} = \lambda_{Pub}Z_{Pub} + \lambda_{Priv}Z_{Priv} + \lambda_{Standard}(1 - Z_{Pub} - Z_{Priv}) + Xb + u,$

which receives the same interpretation.

One important result of Table 4 is that, in contradiction with the experimental protocol, some job seekers assigned to the control group entered one of the two treatments, while some assigned to a given treatment entered the other one. The orders of magnitude are small: less than 3 percent entered the private program without being assigned to it; the proportion is below 0.5 percent for the public program. Based on our monitoring of the experiment, these imperfections seem to be mostly due to private contractors pressing the PES to send more job seekers. To address their demands, some PES agents selected job seekers on the unemployment registers and gave their contacts to the private contractors, who contacted them outside the experiment. The same job seekers could in parallel enter the experiment through the randomization tool, and thus receive a different assignment. In the case with only one treatment group, the fact that some members of the control group receive the treatment does not prevent a causal interpretation of the LATE parameter: provided a monotonicity assumption (Angrist, Imbens, and Rubin 1996), the so-called “encouragement design” (Duflo, Glennerster, and Kremer 2008) only requires that the random assignment increases

the probability to enter the treatment. In the case with two treatment groups, however, a stronger form of compliance is needed in order to interpret the IV parameters causally in the potential outcomes framework. In particular, a sufficient condition is that only those assigned to one of the treatments enter that treatment—i.e., θ_{Priv} , $\theta_{Standard}$, λ_{Pub} , and $\lambda_{Standard}$ in equations (2) and (3) are all equal to 0. This condition is not verified here, as the estimates for these parameters are statistically significant, even though they are small. In Behaghel, Crépon, and Gurgand (2013), we show that the effect of this type of imperfect compliance depends on the size of the groups entering a treatment in violation of the initial experimental design. More precisely, it can be shown that the quantity that matters is the difference in the proportions of individuals entering a program when assigned to the control group and when assigned to the other program. This difference is very small in the present case. Indeed for the private program it is 2.9 percent – 2.1 percent = 0.8 percent and 0.5 percent – 0.4 percent = 0.1 percent for the public program. In what follows, we therefore consider the effect of this imperfect compliance as negligible. We therefore maintain our interpretation of the IV parameters as Treatment on the Treated parameters (see Section IIA).

C. Treatment Effect

Table 5 presents instrumental variable estimations of the model

$$(4) \quad y = \alpha_{Pub} T_{Pub} + \alpha_{Priv} T_{Priv} + Xb + u,$$

where the public and private program treatment variables, T_{Pub} and T_{Priv} , are instrumented using the assignment variables Z_{Pub} and Z_{Priv} .

As the estimated intention-to-treat parameters were close, the large difference in the entry rates into each program is expected to translate into a substantial difference in the treatment effects.

The table reports estimates of α_{Pub} and α_{Priv} for the same three outcomes as above, with and without controls. The table also gives the counterfactual means, defined as the difference between the mean outcome of those who benefited from the program and the estimated effect. The probability of exiting from unemployment and finding a job within six months following random assignment increased by 10.2 percentage points for those who benefited from the public program. This is more than twice the effect of the private program, which is only 4.5 percentage points. The difference between the two program impacts is significant at the 10 percent level. The effect of the public program is substantial in absolute terms. It can be compared to the control group mean, which is 23.0 percent, or the counterfactual mean, which is 20.7 percent. Participation in the program implies an increase by roughly 50 percent in the chances of going back to employment. In comparison the 4.5 percentage point effect of participation in the private program represents an increase of only 22 percent of the counterfactual mean.¹⁶

¹⁶ Another usual way to gauge the size of an effect is to compare it to the standard deviation of the outcome variable. Here, the effect of the public program represents 24.3 percent of the standard deviation of the dependent variable and the effect of the private program represents 10.7 percent.

TABLE 5—LOCAL AVERAGE TREATMENT EFFECTS, AFTER SIX MONTHS

	Exit from PES registers to employment		Any employment		Employment eligible to payment	
	(1)	(2)	(3)	(4)	(5)	(6)
Enter public	10.2*** (3.8)	9.1** (3.7)	7.3* (4.1)	6.5* (3.9)	7.2** (3.6)	7.7** (3.5)
Enter private	4.5** (2.1)	3.8* (2.1)	4.8** (2.3)	4.0* (2.2)	5.0** (2.1)	4.4** (2.0)
Controls	No	Yes	No	Yes	No	Yes
p-value (percent)	6.3	7.8	43.1	42.0	45.9	23.0
Control mean	23.0	23.0	35.8	35.8	21.4	21.4
Counterfactual means						
Public	20.7	21.9	38.2	39.0	21.4	20.9
Private	19.7	20.4	34.3	35.0	18.4	19.1

Notes: Weighted two-stage least square regressions of employment outcome variables on treatment variables, using assignment variables as instruments. First stage regressions are displayed in Table 4. Regressions include the covariates listed in Table 2. Outcome variables defined in Table 3. *p*-value corresponds to the test of a same impact of participation in the private and public programs. Robust standard errors in parentheses; 37,952 observations.

***Significant at the 1 percent level.
**Significant at the 5 percent level.
*Significant at the 10 percent level.

Sources: Job seekers register (ANPE), private contractor register, and surveys of job seekers with unknown exit

The difference between the private and the public program narrows as we consider the two other employment outcome variables. This is interesting to notice, as these employment outcomes are closer to the requirements made in the private operator’s contract. For example, if we consider the last employment outcome “Employment eligible for payment,” the participation in the public program increases the chances of finding a long-lasting job within 6 months by 7.2 percentage points, and the participation in the private program increases the chances of finding such a job by 5 percentage points. However, even if the difference is no longer significant, for “Any employment” and “Employment eligible for payment,” the difference remains positive.

Figure 1 presents the LATE results for the outcome variable “Exit to employment” after 3, 6, 9, and 12 months. The figure clearly shows that the effect of the public program was already very large three months after random assignment, and that it remains large over the whole period. One year after random assignment there still exists a positive effect, which is quite substantial. By contrast, the private program has a very small and insignificant effect initially, which then progressively increases. It is important to notice that the private program was introduced with the objective of having job seekers rapidly back to employment so as to save on unemployment benefits. The figure clearly shows that the public program dominates the private one in that respect.

Figure 1 also compares the results of the previous LATE estimations with those obtained using control variable OLS regressions. The OLS regressions considered here are based on the whole sample using all three groups of assignment and the

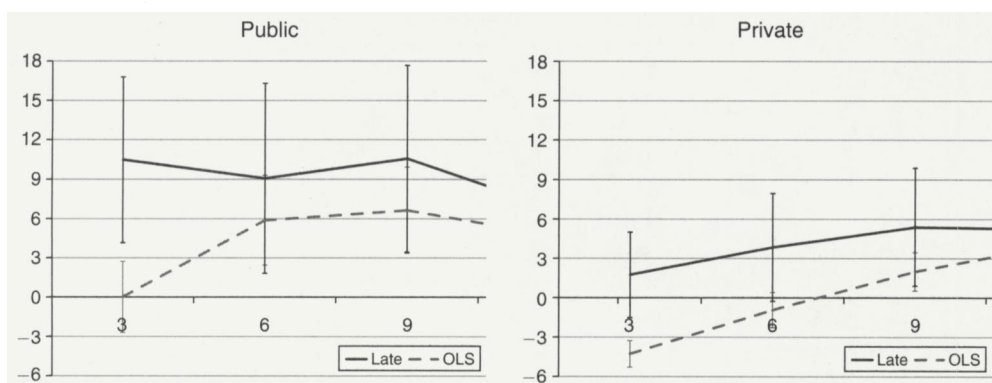


FIGURE 1. LATE AND OLS ESTIMATES FOR PUBLIC AND PRIVATE PROGRAMS

Notes: Estimates of public and private program impacts 3, 6, 9, and 12 months after assignment, with 95 percent confidence intervals. “Exit from PES registers to employment” is the outcome. The LATE and OLS estimates use the control variables listed in Table 2. The LATE estimates use program assignment as an instrument for program entry (see Table 5).

Sources: Job seekers register (ANPE) and private contractor register

full set of control variables described in Table 2. OLS estimations yield biased estimates, especially in the short run. In the long run, the bias is smaller, but still quite large, even though confidence intervals overlap with those of the LATE estimates.

IV. Why Are Private Providers Lagging Behind?

Why do private operators have a weak effect in comparison to the public program? We see three main possible explanations for this difference. The first is that the contract structure private contractors have with the PES provides them with specific incentives. The second is that job seekers may decide to enroll and to invest their time differently when they are assigned to private and public programs. The last one is that private contractors may master the counseling technology less efficiently. These different explanations can operate through two channels: the first is a selection effect—the populations entering the public and private programs may not be the same; the second is that programs may have different impacts on the very same populations.

In this section, we provide evidence that the second channel is at work. Holding the population of recipients fixed, the public program still tends to be more effective. By contrast, we do not find much evidence of the selection effect, i.e., that the public program enrolls in larger proportions job seekers for whom counseling is predicted to be particularly effective, given their observable characteristics. We argue that this leaves a mix of technology differences and incentives issues as a likely explanation for the private program’s weaker results.

A. Selection Effects

One possible reason why the effects of the two programs appear different is selection: programs could have identical effects, but the population could be

heterogeneous and the job seekers entering programs would be different. This is more than just a statistical issue in the sense that if programs' effects are different, it literally means that chances to find a job depend on the program a job seeker enters. So there is a cost for individuals of entering the private program rather than the public program. On the other hand, if selection explains the difference in estimated LATEs, then the issue is, rather, targeting. It may be the case, indeed, that the private program focuses on the hardest to place job seekers and offers them the most they can get from counseling.

There are various reasons why the private and public programs may not enroll the same job seekers. A first reason may have to do with the incentives faced by private providers. Private companies are paid around €1,000, when a job seeker merely enters their program. This large upfront payment may provide them with substantial incentives to enroll any job seeker they can. As a result, teams in the private program may have encouraged the entrance of job seekers for whom the expected impact of counseling is weak. Counselors in the public program do not receive such incentives.¹⁷

A second possible reason for differential selection into the two programs lies in the behavior of the job seekers themselves. It has been shown that assignment to a program may act as a threat upon job seekers. Both Black et al. (2003) and Rosholm and Svarer (2008) find evidence that assignment to a program as such may indeed speed up a person's exit from unemployment. In contrast, Crépon et al. (2010) do not find such an effect. The job seeker's decision to enter a program may depend on his/her perception of costs and benefits and this perception might be different for private and public programs.¹⁸

On the empirical side, there is also evidence that selection is potentially an issue. Indeed, both the program effects and enrollment decisions are heterogeneous in the population. Table 6 presents the estimated program effects when the sample is split by gender, age categories, and reasons for unemployment, and it points to a substantial heterogeneity in the impact of the program. First, the programs appear to be mostly effective on women.¹⁹ We also observe large differences in effects with respect to age, the programs being strongly effective for young people (aged below 30). This is interesting as counseling programs usually have little effect on young people (Card, Kluve, and Weber 2010). A last dimension of heterogeneity has to do with the reason for becoming unemployed. Here, we isolate layoffs for personal reasons, as they may be perceived as a bad signal and as the workers thus laid off are usually harder to place. As can be seen from the table, the effect of the

¹⁷In the public program, which runs on a limited budget, enrolling more job seekers does not bring additional resources.

¹⁸Using the survey of participants carried out by the French Ministry of Labor, Gratadour and Le Barbanchon (2009) provide some information about the timing of entry into the programs. Information is weak, however, as the surveyed population that did not enter the programs was under-sampled and only involved around 300 individuals. It shows that around 50 percent of the selection occurs early in the entry process, in much the same way for both types of programs. These figures imply that self-selection might be an explanation for the low take-up rate into programs but less of an explanation for the differential in take-up rates between the two programs.

¹⁹This is consistent with results reviewed by Bergemann and Van den Berg (2008), who find that labor market interventions usually have either the same effect for men and women or a stronger effect for women than for men. As an exception, Crépon et al. (2013) find that a reinforced counseling program for young graduate people has large effects for men and no effect for women.

TABLE 6—LOCAL AVERAGE TREATMENT EFFECTS ON VARIOUS SUBPOPULATIONS OF INTEREST

	Women	Men	Less 29	30–44	Above 45	Personal layoff	Other unemployed
<i>Panel A. Exit from PES registers to employment after 6 months (37,956 observations)</i>							
Enter public	9.1* (5.0)	8.1 (5.5)	18.3** (7.2)	−0.1 (5.6)	12.5* (6.4)	7.0 (5.3)	10.7** (5.1)
Enter private	6.9** (2.8)	−0.2 (3.1)	13.5*** (4.4)	−4.0 (3.2)	3.8 (3.1)	4.2 (3.0)	3.9 (2.9)
Observations	19,363	18,589	11,053	16,447	10,452	15,921	22,031
<i>p</i> -value (percent)	57.6	5.6	41.0	38.3	10.4	50.3	10.0
Control mean	21.4	24.9	29.3	23.6	15.1	19.1	25.7
<i>Panel B. Exit from PES registers to employment after 12 months (33,500 observations)</i>							
Enter public	12.1** (5.1)	1.2 (5.4)	21.0*** (7.0)	−4.5 (5.7)	8.7 (6.5)	10.6* (5.5)	4.4 (5.0)
Enter private	10.1*** (3.2)	−1.0 (3.5)	18.5*** (4.9)	−3.6 (3.7)	3.2 (3.8)	9.2*** (3.5)	2.7 (3.2)
Observations	17,313	16,187	9,336	14,513	9,651	14,145	19,355
<i>p</i> -value (percent)	60.8	60.4	65.8	83.2	29.5	74.3	66.7
Control mean	33.8	39.8	43.8	38.5	25.2	31.3	40.1

Notes: Weighted two-stage least squares regressions of “Exit from PES registers to employment” on treatment variables. Each column considers a different subpopulation and presents results at 6 and 12 months. Regression includes the covariates listed in Table 2. Outcome variables defined in Table 3. *p*-value corresponds to the test of a same impact of participation in the private and public programs. Robust standard errors in parentheses.

***Significant at the 1 percent level.
**Significant at the 5 percent level.
*Significant at the 10 percent level.

Sources: Job seekers register (ANPE), private contractor register, and surveys of job-seekers with unknown exit

program in the long run is positive and large on this category of job seekers for both programs. The effect on the other type of job seekers is far smaller and not significant in the long run.

In order to examine how strongly the selection of different types of job seekers explains the differential in programs’ impacts, we decompose the difference between the two LATE program impacts into a selection effect and a difference between program impacts over a similar population:

(5)

$$\begin{aligned} &E(\Delta_{priv}|Priv) - E(\Delta_{pub}|Pub) \\ &= [E(\Delta_{priv}|Priv) - E(\Delta_{priv}|Pub)] \\ &\quad + [E(\Delta_{priv}|Pub) - E(\Delta_{pub}|Pub)], \end{aligned}$$

where Δ_{priv} is private (reps. public) program impact and the conditioning is on the private (resp. public) program entrant population. The first term in this decomposition is the selection effect. It measures the difference between the impact of the private program across two different populations: those entering the private program and those entering the public program. The second term in the decomposition is the difference between the two program impacts on a given population, that of public program entrants. Such a decomposition requires to compute an estimate of the

TABLE 7—DECOMPOSITION OF PRIVATE AND PUBLIC LOCAL AVERAGE TREATMENT EFFECTS, AFTER SIX MONTHS

	Exit from PES registers to employment	Any employment	Employment eligible to payment
Private program			
on private entrants (a)	3.9* (2.1)	4.1* (2.2)	4.4** (2.0)
on public entrants (b)	3.0* (1.7)	3.0* (1.8)	3.6** (1.6)
Public program			
on public entrants (c)	9.1** (3.7)	6.7* (3.9)	7.8** (3.5)
Private/public difference (a) – (c)	–5.3* (3.0)	–2.6 (3.1)	–3.4 (2.8)
Selection effect (a) – (b)	0.9 (0.7)	1.1 (0.8)	0.8 (0.7)
Private/public difference on public entrants (b) – (c)	–6.2** (3.1)	–3.6 (3.2)	–4.2 (2.9)

Notes: The second line reports estimates using outcomes weighted by the propensity ratio (see the Appendix). The first and third lines reproduce results from Table 5 (with minor changes due to the use of one step GMM to get the joint distributions). These three estimates are then combined to decompose the difference between private and public programs into a selection effect and the difference between the two programs’ impacts on job seekers who enter the public program. Regression includes the covariates listed in Table 2. Outcomes are defined in Table 3. Robust standard errors in parentheses; 37,952 observations.

- ***Significant at the 1 percent level.
- **Significant at the 5 percent level.
- *Significant at the 10 percent level.

Sources: Job seekers register (ANPE), private contractor register, and surveys of job seekers with unknown exit

private program effect on the population of public program entrants. We show in the Appendix that under a weak form of conditional independence assumption, such an effect can be simply estimated using outcome variables weighted by a ratio of propensities to enter the public and private programs, conditional on a set of covariates.²⁰ This is similar to the decomposition proposed by DiNardo, Fortin, and Lemieux (1996).

Table 7 presents the results of such a decomposition. The first and third lines simply replicate estimated programs’ impacts on their entrants from Table 5, while the second line reports the estimated impact of the private program on public program’s entrants. The last three lines present the decomposition. As can be seen from the table, the selection effect is always small and not statistically different from zero. This tells us that selection is not a first-order issue driving the observed difference between the two programs. Notice, however, that it is always positive. Therefore, the difference between the two programs widens if evaluated on the population of public program entrants. For the first outcome variable, we notice that this leads to the difference being now statistically significant at the 5 percent level.

²⁰In substance, that hypothesis requires that, conditional on a set of covariates and being an entrant in *some* program, the impact of the private program would be on average similar for private and public entrants.

B. Explaining Differential Effects of the Two Programs on Similar Populations

In this section we want to address the difference in program efficiency for similar job seekers that would be enrolled in either program. Three main explanations for these differences are examined: contract incentives, the counseling technology, and job seeker motivation.

When looking at contract incentives as a potential explanation for the observed differences between the two programs, a natural heterogeneity dimension to focus on is employability. Private contractors receive about €2,000 from placing a job seeker in a job. They may find it optimal to focus their effort on the least employable and rely on the high chances of the most employable job seekers to find a job by themselves and generate payment. Such a behavior is known as parking and consists in enrolling job seekers but denying them the services they are supposed to receive. It could occur here for the most employable job seekers if they invest more in the search process and if, in addition, the search process exhibits decreasing returns.²¹

We measure employability using exit toward employment after six months for job seekers assigned to the standard track, using a logit model based on the set of covariates listed in Table 2. Regression results are presented in Table A1 and the left-hand side panel of Figure 2 shows the distribution of the predicted exit on the basis of this model for the control group and the private program entrants. As can be seen from the figure, the propensity to exit from unemployment spontaneously is widely dispersed in the population. Moreover, the figure also shows that the distribution over the private program entrants is almost the same as the distribution over the control group. When looking at the mean gap between the two populations, we indeed find a very small and insignificant difference. It implies that there was no cream skimming from the private program. The figure on the right-hand side panel also reports the distribution of employability among private and public program entrants. Although differences are also small, the public program entrants distribution is slightly right shifted. When looking at the difference in means between public and private entrants, we find a small positive difference significant at the 5 percent level. This indicates that, cream skimming occurred more for the public than for the private program, if at all.

Noting E employability, we estimate an equation in which program participation variables are interacted with the measure of employability and its square:

$$(6) \quad y = (\alpha_{0,pub} + \alpha_{1,pub}E + \alpha_{2,pub}E^2)T_{pub} \\ + (\alpha_{0,priv} + \alpha_{1,priv}E + \alpha_{2,priv}E^2)T_{priv} + Xb + a_1E + a_2E^2 + u,$$

²¹ There is also qualitative evidence that parking behavior occurred in the private program. Divay (2009) independently conducted interviews with caseworkers and managers in two private providers' offices. She reports that although caseworkers do not talk about parking, they describe a highly standardized procedure that clearly saves on the private providers' main cost: the caseworkers' time. Each job seeker meets with the caseworker weekly, for a well defined 30-minute sequence that one caseworker describes in the following terms: "Offer coffee, review last week's objectives, suggest actions, perhaps make a call, set new objectives for the coming week, arrange a new appointment, and accompany the person to the door. This is the procedure!" (Divay 2009).

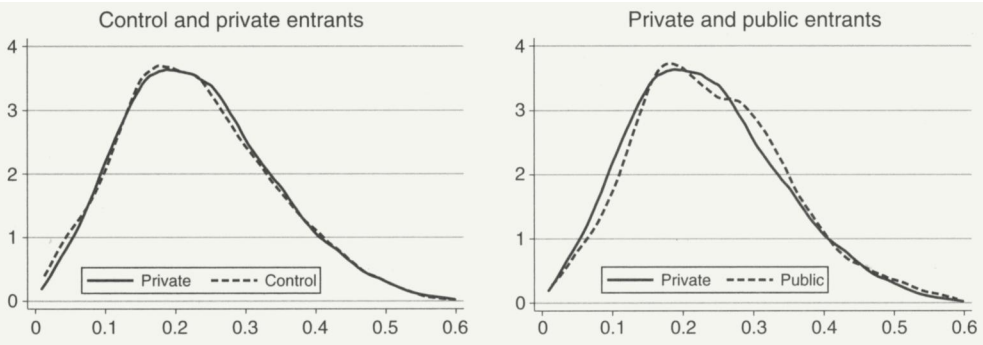


FIGURE 2. DENSITIES OF THE EMPLOYABILITY INDEX

Notes: The employability index is based on a weighted logit model of exit to unemployment on observed variables in the control group, see Table A1 for the regression.

Sources: Job seekers register (ANPE), private contractor register, and surveys of job seekers with unknown exit

using the six instrumental variables Z_p , $Z_p E$, and $Z_p E^2$ with Z_p being assignment to private and to public programs. Results are presented in Table 8. The table gives the coefficients of employability of first- and second-order power.²²

A clear difference between the two programs comes to light. The effect of the public intervention does not depend on employability; the test largely accepts the hypothesis of homogeneity no matter what outcome variable is selected. Conversely, the effect of the private intervention depends strongly and significantly on employability: the greater the degree of employability, the less impact the program has. One important point to note is that the difference between the private and the public program appears more clearly. Indeed, we do find a significant difference (at the 10 percent threshold) for the two last employment outcomes, whereas we did not observe any such difference in Table 5. In the end, we can conclude that workers with similar expected employability benefited differently from the two programs in a way consistent with private contractors’ incentives.

However, it is unlikely that contract’s incentives alone explain the difference between private and public programs effects for a population that both programs would enroll. The mastering of the supervision technology by heterogeneous private operators is a natural alternative candidate. To address it, we look at heterogeneity of effects with respect to the type of private contractors: temporary help agencies, consultancies specialized in the placement of unemployed job seekers, and large international job placement firms. There is no data that allows us to characterize the services provided by the different operators during the program, and qualitative evidence suggests that they broadly followed the same approach. However, temporary help agencies have long been recognized as likely to play an important part in placing people with little labor market prospects into work (Katz and Krueger 1999), although this suggestion has not received strong empirical validation (Autor and Houseman 2010). Consultancies specialized in the placement of workers after

²²Employability is normalized before taking the square, and the two variables are centered before being interacted with the treatment variables.

TABLE 8—HETEROGENEOUS EFFECTS WITH RESPECT TO EMPLOYABILITY, AFTER SIX MONTHS

	Exit from PES registers to employment		Any employment		Employment eligible to payment	
	Private	Public	Private	Public	Private	Public
Enter program	3.7*	9.2**	3.9*	6.5*	4.3**	7.8**
	(2.1)	(3.7)	(2.2)	(3.9)	(2.0)	(3.5)
$E \times$ Enter program	-4.9**	-2.7	-4.6**	-0.2	-3.6*	0.4
	(2.1)	(3.9)	(2.3)	(4.2)	(2.0)	(3.6)
$E^2 \times$ Enter program	-1.0	3.4	-3.0	-0.2	-0.1	3.7
	(2.2)	(3.3)	(2.3)	(3.4)	(2.2)	(3.2)
<i>p</i> -values (percent):						
Homogeneity: each	5.3	54.8	2.2	99.7	20.2	45.3
Homogeneity: joint		4.9		1.9		7.0
Same effect		11.1		8.3		5.7

Notes: The table presents weighted two-stage least square regressions where program participation variables have been interacted with powers of an “employability score (E).” The employability score is obtained as the predicted value of a logit regression of exit from PES registers to employment using the whole set of covariates listed in Table 2. The score has been normalized and its square has been centered. Regressions include the covariates listed in Table 2 as well as the employability score. Outcomes are defined in Table 3. Robust standard errors in parentheses; 37,952 observations.

***Significant at the 1 percent level.
**Significant at the 5 percent level.
*Significant at the 10 percent level.

Sources: Job-seekers register (ANPE), private contractor register, and surveys of job-seekers with unknown exit

mass layoffs may have an advantage in coaching practices, as placement under these circumstances often involves helping the job seeker shift to a new type of job or a new industry. Large international job placement firms may have a similar expertise in counseling practices, but less knowledge of the local labor market context.

One caveat when analyzing the comparative performance of private operators by type, is that they work in areas that are not chosen at random, and with specific reemployment opportunities.²³ To address this issue, we measure each private program effect *relative to the public program effect in the same area*. The results are displayed in Table 9. For each outcome variable taken into consideration, the table first presents the results of the private program for each type of operator. It then presents the results of the public program in the corresponding area. Finally the public-private difference is displayed. As the table shows, the different contractors have quite homogeneous performances. For the first employment outcome considered the test of a same effect is accepted by large. But, they operate in different contexts. This is captured by the heterogeneous impacts of the local public program: *p*-values for the homogeneity test are close to or less than 10 percent for each of the three employment outcomes.²⁴ As a result, looking at the column labeled “difference,” we can see that temporary help agencies are significantly less effective than consultancies, with international placement firms in-between.

Finally, the impact of counseling programs also depends on job seekers’ efforts and how closely they stick to the program. Programs of strengthened supervision

²³Table A1 shows that the chances of returning to work in regions where temporary help agencies or job placement firms operate are higher than in regions where consultancies are involved.

²⁴Results for “Any employment” are similar but not reported here.

TABLE 9—LOCAL AVERAGE TREATMENT EFFECTS, AFTER SIX MONTHS, BY OPERATOR TYPE

Area	Exit from PES registers to employment			Employment eligible to payment		
	Private	Public	Difference	Private	Public	Difference
Temporary help	2.1 (3.5)	12.1** (5.8)	−10.0** (4.6)	0.8 (3.4)	6.8 (5.5)	−6.0 (4.3)
Placement firms	3.9 (3.7)	9.9 (6.8)	−5.9 (5.4)	8.1** (3.5)	13.7** (6.4)	−5.6 (5.1)
Consultancies	5.7 (3.8)	3.6 (6.7)	2.1 (5.5)	4.8 (3.5)	2.6 (6.4)	2.2 (5.2)
<i>p</i> -value (percent)	28.0	8.0	11.0	6.2	10.2	34.5

Notes: The upper panel presents weighted two-stage least square regressions of employment outcomes on participation into program interacted with dummy variables for area in which the private contractor is of one of the three possible types: temporary help agency, international placement firms, and consultancies specialized in the placement of workers after mass layoffs. Instruments are assignment variables interacted with the dummy variables. *p*-values correspond to the test that the three coefficients are equal. For each of the two outcomes, the first column presents the private program's estimated effects, the second the public program's effects, and the last one the difference between the two. Regressions include covariates listed in Table 2. Outcomes are defined in Table 3. Robust standard errors in parentheses; 37,952 observations.

- ***Significant at the 1 percent level.
- **Significant at the 5 percent level.
- *Significant at the 10 percent level.

Source: Job seekers register (ANPE), private contractor register, and surveys of job seekers with unknown exit

aim at keeping the job seeker's commitment strong, and, although this is not their main point, they also have the goal of checking to see that he/she is not slacking off. The main menace is to have someone struck off the program, which happens rarely in France, and entails the loss of unemployment benefits for the job seeker. Private operators could use that threat. However, their terms of reference did not include the task of sanctioning inactive job seekers, and private companies had no incentives to exclude a job seeker from the program, as they could hope that she could still find a job, triggering the conditional payment.

In order to study this point, we estimate the impact of the two programs on different types of exit from the PES files in Table 10 (not just to employment). Results clearly show how important is the distinction between exit to employment and exit from PES files (Card, Chetty, and Weber 2007). In particular, the private program has a negative effect on exit from PES files after six months, which is due to a large and significant negative impact on exits without a job, outweighing the positive impact on exits to employment documented in the previous sections. Exits without a job belong to two broad categories: sanctions and withdrawal from the labor force (due to retirement, training, health issues, maternity, or parental leave). As shown in column 4 of Table 10, exclusion from unemployment benefits for not fulfilling one's obligations are significantly *less* frequent when the job seeker is enrolled in the private program. In fact, virtually no job seeker exits the unemployment register as a result of administrative sanction when her case is managed by the private program. Similarly, withdrawal from the labor force is less frequent when the job seeker is enrolled in the private program (a 5.1 percentage point decrease). Regarding the public program, we do not find any impact on sanctions. The estimated impact on

TABLE 10—LOCAL AVERAGE TREATMENT EFFECTS, AFTER SIX MONTHS ON OTHER TYPES OF EXIT

	Any exit from PES registers	Exit from PES registers to employment	Other exit from PES register	From which	
				Struck off	Other
<i>Panel A. After 6 months (37,952 observations)</i>					
Enter public	4.9 (4.1)	9.1** (3.7)	−4.2 (3.2)	0.7 (1.8)	−4.9* (2.8)
Enter private	−4.2* (2.4)	3.8* (2.1)	−8.0*** (1.9)	−2.9*** (1.0)	−5.1*** (1.7)
<i>p</i> -value (percent)	0.5	7.8	12.9	1.2	92.2
Control mean	37.3	23.0	14.2	2.7	11.6
<i>Panel B. After 12 months (33,500 observations)</i>					
Enter public	3.2 (3.6)	6.9* (3.7)	−3.7 (3.3)	0.8 (1.9)	−4.5 (3.0)
Enter private	−0.9 (2.3)	5.2** (2.4)	−6.1*** (2.2)	−2.7** (1.2)	−3.4* (2.0)
<i>p</i> -value (percent)	13.6	56.7	35.5	1.8	64.6
Control mean	58.3	36.6	21.7	3.9	17.8

Notes: Weighted two-stage least square regressions on different types of exits from PES files after 6 and 12 months. Regressions include the covariates listed in Table 2. *p*-value corresponds to the test of a same effect of participation in private and public programs. Robust standard errors in parentheses.

- ***Significant at the 1 percent level.
- **Significant at the 5 percent level.
- *Significant at the 10 percent level.

Source: Job seekers register (ANPE), private contractor register, and surveys of job-seekers with unknown exit

withdrawal from the labor force is sizable, but only marginally significant. To sum up, we can conclude from these estimates either that job seekers were not less motivated when enrolled in the private program than when enrolled in the public program or that caseworkers in the private program did not apply sanctions.

Overall, the additional evidence presented in this section suggests that the incentives set by the private providers’ contract, as well as their incomplete mastery of the counseling technology may explain the lower impact of the private program. Problems with mastering the counseling technology may have to do with the fact that this was the first large-scale attempt in France to contract these services to private providers.²⁵ In contrast, the private providers’ contracts are not specific to the French experience—they are similar to those frequently used in other OECD countries over the period.²⁶

²⁵ However, the question of how to get rid of providers who do not perform well and learn too slowly is common to all countries; see OECD (2012) on Australia.

²⁶ For instance, contract providers in United Kingdom “Employment Zones” received a three-tier payment (at enrollment, at job entry, and after 13 weeks of job retention). Contracts in Germany varied, but often resembled the French ones—e.g., a contract with Ingeus, an early and influential private provider in the French job seeker placement market, involved a 56 percent upfront payment, 10 percent on job placement, 17 percent after 13 weeks, and 17 percent after 26 weeks of sustained employment. In the Netherlands, even though fully conditional payments (“no cure, no pay”) were introduced progressively in the mid-2000s, the typical “no cure, less pay” contract involved a 10 or 20 percent payment on completion of an agreed action plan, a fixed payment of about 40 percent 6 months after commencement, and another 40 percent or 50 percent after 2 months in a job with a minimum 6-month contract (Finn 2011).

V. Other Outcomes and Elements of Cost-Benefit Analysis

In this section, we present the results of cost-effectiveness analysis and our tentative cost-benefit analysis. Unfortunately, we had no access to information that would have enabled us to perform a whole cost-benefit analysis as performed, for example, in labor market programs evaluation analyzed in Meyer (1995). This would require unemployment benefits and wage earnings data, and we were denied access to both these data sources. Unemployment benefits data can, however, be approximated, and this enables us to compute a rough back-of-the-envelope cost-benefit analysis for the PES, ignoring, however, benefits arising from taxes collected on wage earnings. As mentioned earlier, the rule set by the private program is that eligible job seekers must have at least 365 days of payment eligibility at the time of randomization. Therefore, we can simply count the number of days those persons spent unemployed (even over different spells) during a year. The measure can be refined to exclude days during which the job seeker was registered as unemployed while working (on a part-time basis). This gives us information about the number of days unemployment benefits have been paid.

To convert this number into amounts of unemployment benefits, we construct a rough measure of daily benefits multiplying the target wage reported by each job seeker by common values of replacement rates.²⁷ The costs of the private program are computed assuming a conservative maximum payment of €3,000 and using the contract structure: 30 percent of the fee paid when the job seeker enters the program, 35 percent if she finds a job within 6 months (using the “Any employment” outcome), and 35 percent if she stayed 6 months in employment (using the “Employment eligible for payment” variable). Costs of the standard track and the public program are estimated at €120 and €657, respectively.²⁸

Table 11 presents program effects computed using these variables. The upper panel presents intention-to-treat estimates and the lower panel presents local average treatment effects. The private program clearly performs poorly both in absolute terms and compared to the public program. First, it increases assistance costs by €524 per assigned job seeker and €1,321 by job seeker entering the program. This is largely above the corresponding cost impacts of the public program (€172 and €539, per assigned job seeker and enrolled job seeker, respectively). Second, the effect of the private program on the number of days on the lists is almost zero and nonsignificant. This is mainly due to the fact that the program has no significant effect on exit from the lists as explained in the previous section. In contrast, the public program reduces the number of days on the list for those who entered the

²⁷ More precisely, we used 72 percent, 68 percent, or 64 percent as replacement rates for, respectively, wages below €1,300, between €1,300 and €1,900, and above €1,900. We consider the mean value of the wage category and assumed a wage target of €2,600 for job seekers with a wage target above €2,200. For the roughly 10 percent of job seekers with no wage target, we imputed a value based on the predicted probabilities to have a wage target of each possible type using an ordered logit model of the wage target when it is available using all the covariates listed in Table 2.

²⁸ It is not easy to compute the cost of programs organized in-house by the PES, because the PES has not developed the accounting tools to identify the cost of each component of services. Accounting services of the PES provided us with estimates of the overall cost of the public program: counselor wages, equipments, rents (as the public program teams were usually located in separate buildings), and *support costs*. This information can be used to compute a per-participant cost. We got similar information about the costs of the standard track.

TABLE 11—COSTS AND BENEFITS

	Cost	Days on lists		Paid UB	Total expenses
		All	Without job		
<i>Panel A. Intention-to-treat</i>					
Assigned public	171*** (8)	−6.4** (2.8)	−6.5** (2.8)	−574** (287)	−402 (287)
Assigned private	524*** (7)	0.7 (1.9)	−0.5 (1.9)	−51 (198)	473** (198)
<i>p</i> -value (percent)	0.0	0.1	0.6	2.1	0.0
<i>Panel B. Local average treatment effect</i>					
Enter public	539*** (10)	−18.7** (8.3)	−19.9** (8.7)	−1,679** (850)	−1,140 (849)
Enter private	1,321*** (10)	1.3 (4.9)	−3.6 (5.5)	−159 (507)	1,162** (506)
<i>p</i> -value (percent)	0.0	0.2	1.5	1.9	0.0
Control mean	120	257	223	22,003	22,123

Notes: Weighted intention-to-treat and two-stage least squares. “Cost” is the program cost accounting for employment outcomes; “days on lists” is the number of days the job seekers were registered on the PES registers; “days on lists without partial employment” accounts for jobs held while still registered; “paid UB” (unemployment benefits) is based on the “days on lists without partial employment” variable and uses as a measure of unemployment benefits 80 percent of the wage target; “total expenses” is the sum of program costs and paid UB. Regressions include the covariates listed in Table 2. Robust standard errors in parentheses; 43,977 observations.

***Significant at the 1 percent level.
**Significant at the 5 percent level.
*Significant at the 10 percent level.

Sources: Job seekers register (ANPE), private contractor register, and surveys of job seekers with unknown exit

program by 20.6 days, and by 6.6 days for those assigned to the program. These results are consistent with the reduction of 0.5 to four weeks reported in Meyer (1995). For €1,000 invested in the program, the public program reduces the number of days on the list by $6.6/172 \times 1,000 = 38$ days, while the private programs reduces it by $0.4/524 \times 1,000 = 1$ day only. Using our crude measure of unemployment benefits payments, this implies that the private program saves a small and nonsignificant amount (€50) per assigned job seeker while the public program saves €589 per assigned job seeker (€1,723 per enrolled job seeker). Putting costs and benefits together, the private program implies an increase in total costs (benefits and assistance), significant at the 10 percent level, of €474 per assigned job seeker (and €1,162 per enrolled job seeker). We should note, however, that even if the public program performs better, its impact on total expenses is not well measured. The point estimates suggests some savings, but this is not significantly different from zero.

VI. Conclusion

In this paper, we analyze the impact of a reinforced counseling program for at-risk of long-term unemployment job seekers when offered by private contractors or by the public employment service. The entry of private contractors into the market of job seeker placement was the consequence of the end of the monopoly held by the

public employment service. It was accompanied by quite optimistic expectations about associated employment gains.

To sum up, counseling is found to be effective (in the sense of accelerating placement), but private providers appear to be less efficient, especially in the short run, and much less cost-effective than the public program. Our crude cost-benefit analysis clearly shows that the private program is, on average, ineffective and leads to a net cost per job seeker. In contrast, the public program reduced the total cost per job seeker.

This difference does not come from differential selection of job seekers into each program, whereby the private program would have attracted harder-to-treat individuals. It thus reflects lower effectiveness of the private providers. These results can be understood by looking at the difference between the way the employment services market was opened in Australia and how this was done in other countries. The Australian quasi-market was characterized by regulation and the implementation of a strong monitoring procedure (OECD 2012). Specific tools were developed to identify low-performing providers and to prevent private providers from parking some of their assigned job seekers. Although the validity of these tools might be questionable and they may have distortion effects (Heckman, Heinrich, and Smith 2002), they do the first-order job of making providers aware that the quality of their services is observed. This is in sharp contrast with the procedure that has been followed in other countries—and in the present case—which consisted mainly of organizing bidding processes without any attempts to measure performance. It is not surprising that our analysis leads us to see the mastering of the counseling technology and parking as the main potential explanations. The solution adopted by most countries when dealing with the opening of employment services markets seems to miss the objective, which is to improve the quality of the services job seekers may benefit from and lower their costs.

This point is implicitly acknowledged by a recent review commissioned by the European Commission: “The development and management of subcontracting systems is a complex task for policymakers and public officials. There is a sharp and continuous “learning curve” and it takes time to learn how to steer the system to minimize perverse incentives and to capture the efficiencies and innovation that independent contractors may offer. It may be that the gains from subcontracting emerge over time when, as in Australia, public officials can exclude poorer performers, increase competition, and improve the performance management of subcontractors” (Finn 2011).

Still, in the short run, this paper, together with other recent research, shows that there is no *prima facie* case that private provision ensures a better or less expensive service or that market discipline naturally emerges as an efficiency-enhancing feature. Policy enthusiasm for outsourcing placement services still lacks support from rigorous research.

APPENDIX

We show in this appendix that under the conditional independence assumption

$$\Delta_{priv} \perp pub, priv | x, pub \cup priv,$$

the average effect of the private program on those entering the public program can be obtained as the impact of the private program on outcomes weighted by the ratio of propensities to enter public and private programs:

$$E(\Delta_{priv} | pub) = E(\Delta_{priv} R(x) | priv),$$

where $R(x)$ is defined as

$$R(x) = \frac{P(pub|x)}{P(priv|x)} \frac{P(priv)}{P(pub)}.$$

We have

$$E(\Delta_{priv} | pub) = E \left(\Delta_{priv} \frac{f(\Delta_{priv} | x, pub, pub \cup priv) f(x | pub, pub \cup priv)}{f(\Delta_{priv} | x, priv, pub \cup priv) f(x | priv, pub \cup priv)} \middle| priv \right).$$

Under the conditional independence assumption, we also have

$$f(\Delta_{priv} | x, pub, pub \cup priv) = f(\Delta_{priv} | x, priv, pub \cup priv),$$

and we can rewrite

$$\frac{f(x | pub, pub \cup priv)}{f(x | priv, pub \cup priv)} \frac{f(x | pub)}{f(x | priv)} = \frac{P(pub|x)}{P(priv|x)} \frac{P(priv)}{P(pub)} = R(x).$$

To implement such a decomposition, we consider the whole set of covariates listed in Table 2. Table A1 presents the results of logistic regressions of entry in each program. As can be seen, the main determinants are not the same in both cases: for instance, job seekers presenting high statistical risk are more likely to enroll with private operators than with the public program; and first-time job seekers and those seeking a full-time job are more likely to enroll with private operators than with the public program. The observable characteristics that we use lead to predicted propensities to enter programs that vary widely from one individual to another and from one program to another (see Figure A1).

TABLE A1—EMPLOYABILITY AND PROPENSITY TO ENTER PRIVATE AND PUBLIC SCHEMES

	Employability		Enter private		Enter public	
	(1)		(2)		(3)	
	Coefficient	SE	Coefficient	SE	Coefficient	SE
College education	0.046**	(0.023)	0.003	(0.011)	0.016	(0.028)
Vocational	0.014	(0.022)	0.003	(0.011)	−0.019	(0.027)
High school dropout	−0.049*	(0.026)	−0.009	(0.013)	−0.028	(0.032)
Manager	−0.042	(0.042)	0.011	(0.023)	−0.018	(0.060)
Technician	−0.041	(0.040)	0.043**	(0.022)	0.033	(0.060)
Skilled clerical worker	−0.056	(0.039)	0.016	(0.019)	−0.021	(0.050)
Unskilled clerical worker	−0.038	(0.038)	−0.006	(0.020)	0.004	(0.053)
Skilled blue collar	−0.033	(0.039)	0.002	(0.022)	−0.036	(0.053)
Aged 26 to 35	−0.035	(0.022)	0.003	(0.013)	0.037	(0.031)
Aged 36 to 45	−0.037	(0.027)	0.039***	(0.015)	0.055	(0.038)
Aged 46 to 55	−0.095***	(0.026)	0.052***	(0.016)	0.066	(0.042)
Aged above 56	−0.186***	(0.018)	−0.094***	(0.019)	−0.078	(0.054)
Women	−0.036**	(0.016)	0.019**	(0.008)	0.000	(0.020)
Married	0.000	(0.018)	0.004	(0.009)	0.002	(0.023)
One child	−0.018	(0.022)	0.021**	(0.011)	−0.011	(0.027)
More than one child	0.022	(0.023)	0.012	(0.010)	0.000	(0.028)
French	−0.030	(0.034)	0.035**	(0.015)	0.069*	(0.040)
African	−0.052	(0.032)	0.018	(0.019)	0.080	(0.056)
Paris region	−0.014	(0.029)	0.030**	(0.014)	−0.039	(0.036)
North	0.001	(0.035)	0.190***	(0.017)	0.103**	(0.046)
Employment component level 1	0.123**	(0.050)	0.060**	(0.024)	0.163***	(0.063)
Employment component level 2	0.095**	(0.038)	0.075***	(0.023)	0.128**	(0.052)
Economic layoff	−0.020	(0.028)	0.052***	(0.014)	−0.031	(0.035)
Personal layoff	−0.035	(0.022)	0.059***	(0.011)	0.006	(0.029)
End of fixed term contract	0.057**	(0.026)	0.046***	(0.013)	−0.055*	(0.030)
End of temporary work	0.009	(0.037)	−0.035*	(0.021)	−0.134***	(0.039)
No experience in the job	−0.065***	(0.023)	−0.062***	(0.012)	−0.071**	(0.029)
One to five years of experience in the job	−0.050***	(0.019)	−0.016*	(0.009)	−0.010	(0.024)
Statistical risk level 2	−0.056	(0.035)	0.050**	(0.021)	−0.109**	(0.048)
Statistical risk level 3	−0.119***	(0.036)	0.080***	(0.023)	−0.132***	(0.050)
Search for a full time position	0.045	(0.029)	0.152***	(0.012)	0.041	(0.034)
Sensitive suburban area	−0.065***	(0.021)	0.006	(0.011)	−0.040	(0.027)
Wage target €1,350–€1,549	0.020	(0.025)	0.031***	(0.012)	0.079***	(0.031)
Wage target €1,550–€1,799	0.018	(0.031)	0.026*	(0.015)	0.053	(0.040)
Wage target €1,800–€2,200	0.039	(0.028)	0.005	(0.012)	0.025	(0.031)
Wage target €2,200	0.030	(0.032)	0.014	(0.015)	−0.039	(0.037)
No wage target	0.075**	(0.034)	−0.062***	(0.014)	−0.125***	(0.033)
First unemployment spell	−0.001	(0.015)	0.045***	(0.008)	0.014	(0.019)
Insertion firm region	0.044**	(0.021)	0.072***	(0.009)	0.053**	(0.025)
Temporary help region	0.036*	(0.020)	0.051***	(0.009)	0.048*	(0.024)
Assigned first quarter	0.029	(0.026)	−0.099***	(0.012)	−0.050**	(0.026)
Assigned second quarter	0.065***	(0.024)	−0.108***	(0.009)	−0.052**	(0.024)
Assigned third quarter	0.053**	(0.025)	−0.065***	(0.010)	−0.042*	(0.025)
Observations	4,155		30,728		3,069	

Notes: Column 1 reports marginal effect of a weighted logit model of exit from PES registers to employment at six months using the sample of job seekers assigned to the standard track. Weights are based on the assignment scheme and the sampling scheme of job seekers with unknown exit. Columns 2 and 3 report marginal effects of weighted logit models estimated on job seekers assigned to the public and private programs, respectively. Weights are based on the assignment scheme. Robust standard errors in parentheses.

- ***Significant at the 1 percent level.
- **Significant at the 5 percent level.
- *Significant at the 10 percent level.

Sources: Job seekers register (ANPE), private contractor register, and surveys on job seekers with unknown exit

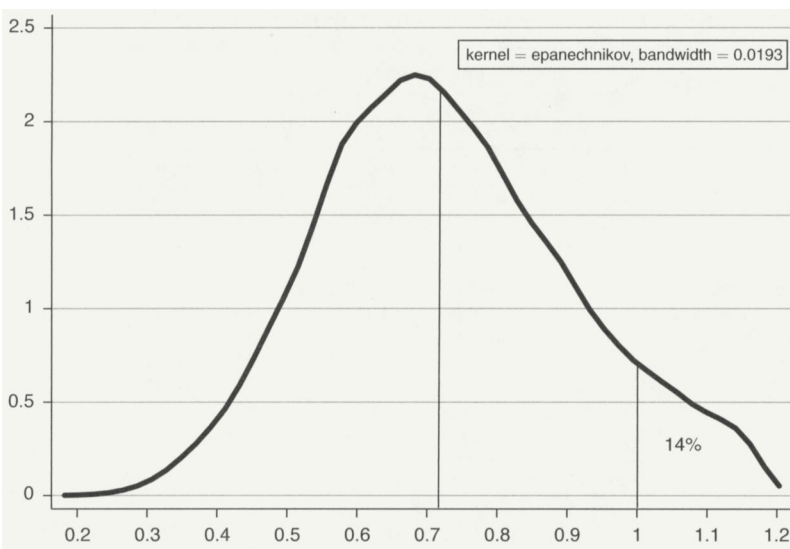


FIGURE A1. DENSITY OF THE RELATIVE PROPENSITIES TO ENTER PROGRAMS

Notes: Ratio of propensities to enter public and private schemes, $R(x)$. The vertical solid line represents the median. See Table A1 for definition of propensities to enter programs.

Sources: Job seekers register (ANPE), private contractor register and surveys of job seekers with unknown exit

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