

Mandatory integration agreements for unemployed job seekers

Evidence from a randomized field experiment in Germany

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Abstract

To activate the unemployed, many countries make use of integration agreements (IA). An IA is a mandatory contract between the job seeker and the labor market agency. It fixes the job seekers' rights and obligations in the job search process and is signed by the caseworker and the unemployed. While they obviously provide some transparency, it is not a priori clear if they also improve the labor market prospects of unemployed persons. Based on a randomized controlled field experiment in Germany we compare job search outcomes of unemployed job seekers who signed an IA directly after entering unemployment with individuals who sign their IA around 3 and 6 months after entering unemployment, respectively. Our analysis is based on rich administrative data. We find that early IAs have on average a small positive effect on entering employment within a year. When we distinguish individuals by predicted unemployment duration, we find that positive effects of IAs are driven of individuals with an expected unemployment duration of at least six months. In contrast, for individuals with shorter expected unemployment durations, early IAs have insignificant negative effects on exits to work.

Keywords: unemployment, monitoring, counselling, job search assistance, job seeker agreements, randomized control trial

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