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INCREASING SUCCESSFUL MATCHES IN THE LABOR MARKET: THE ROLE OF JOBSEEKERS' EXPECTATIONS

Efforts to improve youth employment depend on both demand and supply side interventions. Economy-wide programs to stimulate job growth and/or provide targeted wage subsidies to firms are meant to increase the demand for labor. Efforts to strengthen human capital seek to remedy supply-side imbalances, and interventions that reduce information asymmetries and gaps facilitate good matches between jobseekers and available jobs. This digest discusses the latter, interventions that favor good matches in the labor market when information is poor. This is particularly important in countries marked by high informality and limited access to information on jobs. Addressing unrealistic expectations is often key to impactful interventions.

A series of interventions have been designed to improve the information that employers have about job-seekers, and the information job-seekers have about jobs. The impact of these approaches is varied. A variety of approaches have been shown to increase employment. For example, providing job seekers with a skills certificate to share with prospective employers has been shown to boost their employment and earnings (Carranza et al., 2022). Moreover, showing job seekers how to open and use LinkedIn accounts also led to a 7-percentage point increase in the probability of employment (Wheeler et al., 2022). Conversely, the use of job portals has been found less impactful than anticipated. Kelley et al. (2022) find that that job seekers respond to portal access by working significantly less.

Why have some of these interventions been more successful than others? It may come down to job seekers expectations. Many often have unrealistic assumptions regarding the type of work and wages they can secure (Groh et al., 2015; Abebe et al., 2022; Bandiera et al., 2022; Kelley et al., 2022; Alfonsi et al., 2022).

How can we correct for unrealistic beliefs? This can happen organically if through experience, job-seekers have more information about the labour market and adjust their beliefs about what jobs and wages they can expect (Kelley et al. (2022), Banerjee and Sequeira (2022)). But even with more realistic expectations, job-seekers may become discouraged and opt out of searching for a job. Bandiera et al. (2022) find that youth who received vocational training and were matched with prospective employers became discouraged because call-back rates from these firms were lower than they expected. They have worse labor market outcomes relative to youth who only received vocational training.

The key is to try and correct unrealistic expectations in ways that do not discourage job-seeking efforts. The use of mentors has been shown to do just that. Alfonsi et al. (2022) show that access to mentors boosts employment outcomes and accelerates professional advancement. They find that mentored students revise downwards their overly optimistic beliefs about the wages they can expect, and turn down fewer job offers. This is a low-cost and scalable means to help young job seekers have better expectations on the kind of job and wages they can secure in a manner that does not dampen their job-search motivation.

Happy reading!



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FEATURED STUDIES IN THIS DIGEST

Job Search and Hiring with Limited Information about Workseekers' Skills

Carranza et al. | Journal article | November 2022

This study assesses South African workseekers' skills and disseminates the assessment results to explore how limited information affects firm and workseeker behavior. Giving workseekers assessment results that they can credibly share with firms increases workseekers' employment and earnings and better aligns their skills,

How Do Online Job Portals Affect Employment and Job Search? Evidence from India

Kelley, Ksoll & Magruder | Working paper | June 2022

This study uses a randomized control trial to evaluate whether job portals improve employment outcomes among vocational training graduates in India. The authors uploaded a random subset of graduates to a job portal, and assigned some to receive many text

beliefs and search strategies. Giving workseekers assessment results that they cannot easily share with firms has similar effects on beliefs and search, but smaller effects on employment and earnings. Giving assessment results only to firms shifts interview decisions. These findings show that getting credible skill information to the right agents can improve outcomes in the labor market.

messages about job opportunities. Evidence about voluntary unemployment stressed that job seekers respond to portal access by increasing their reservation wages and working significantly less. As good job offers fail to materialize on the platform, some job seekers adjust their expectations downwards and resume working. These findings suggest that job seekers' beliefs about the arrival rate of jobs mediate the effectiveness of matching interventions.

Testing the Importance of Search Frictions and Matching through a Randomized Experiment in Jordan

Groh et al. | Journal article | April 2015

Through a randomized experiment, this study tests the role of search and matching frictions in explaining the high unemployment of tertiary-educated youth in Jordan. Firms and job candidates were provided a job-matching service based on educational backgrounds and psychometric assessments. Although more than 1,000 matches were made, youth rejected the opportunity of an interview in 28 percent of cases, and when a job offer was received, they rejected this offer or quickly quit the job 83 percent of the time. The results suggest voluntary unemployment arises from preferences over non-wage job attributes in this context.

LinkedIn(to) Job Opportunities: Experimental Evidence from Job Readiness Training

Wheeler et al. | Journal article | April 2022

Online professional networking platforms are widely used and may help workers to search for and obtain jobs. This study runs the first randomized evaluation of training work seekers to join and use one of the largest platforms, LinkedIn. Training increases the end-of-program employment rate by 10 percent (7 percentage points), and this effect persists for at least 12 months. The available employment, platform use, and job search data suggest that employment effects are explained by work seekers using the platform to acquire information about prospective employers and perhaps by work seekers accessing referrals and conveying information to prospective employers on the platform.

OTHER ESSENTIAL READINGS ON THE TOPIC

Matching Frictions and Distorted Beliefs: Evidence from a Job Fair Experiment

Abebe et al. | Working paper | November 2021

This study evaluates the impacts of a randomized job fair intervention. The intervention generates a rich set of interactions

Meet Your Future: Experimental Evidence on the Labor Market Effects of Mentors

Alfonsi, Namubiru & Spaziani | Working paper | December 2022

Can personalized mentorship by experienced workers improve young job seekers' labor market trajectories? The authors designed and

but only some hires. However, the fair causes firms and workers to invest more in search; this improves employment outcomes for less educated job-seekers. Through a unique two-sided belief elicitation, the study shows that firms and workers have inaccurate beliefs about the distribution of skills and the difficulty of getting jobs. This suggests that, beyond directly slowing down matching in the labor market, search frictions can impose a second, understudied cost: to entrench inaccurate beliefs, further distorting search strategies and labor market outcomes.

randomized “Meet Your Future”, a mentorship program that assisted vocational students during their school-to-work transitions in Uganda. The program improved participants’ labor market outcomes: mentored students were 27% more likely to work three months after graduation; after one year, they earned 18% more. Call transcripts from mentorship sessions and survey data reveal that mentorship primarily improved outcomes through information about entry-level jobs and labor market dynamics instead of job referrals, information about specific vacancies, or building search capital.

The Search for Good Jobs: Evidence from a Six-year Field Experiment in Uganda

Bandiera et al. | Working paper | July 2022

This paper examines how Uganda’s standard labor market interventions impact young people’s search for suitable jobs: vocational training, vocational training combined with matching youth to firms and matching only. According to the findings, vocational trainees without match offers achieve greater labor market success, mainly because they end up employed at higher quality firms than youth additionally offered to match. The analysis highlights the foundational but separate roles of skills and expectations in job search, how interventions cause youth to become optimistic or discouraged, and how these matters for long-run sorting in the labor market.

Spatial Mismatches and Imperfect Information in the Job Search

Banerjee, Abhijit & Sequeira | Working paper | March 2020

Youth unemployment remains high throughout the developing world, sometimes coexisting with unmet labor demand and high job turnover. This paper examines one possible explanation: young job seekers who live far from the city centers where jobs are located overestimate their employment prospects and underestimate actual commuting costs. Increasing access and exposure to the broader labor market lead job seekers to adjust their beliefs and accept jobs closer to home. These findings underscore the importance of supply-side information frictions and how they can lead to spatial and occupational mistargeting in the job search.

Algorithmic Writing Assistance on Jobseekers’ Resumes Increases Hires

Van Inwegen, Munyikwa & Horton | Journal article | January 2023

There is a strong association between the quality of the writing in a resume for new labor market entrants and whether those entrants are ultimately hired. The study shows that this relationship partially, causal: a field experiment in an online labor market was conducted with nearly half a million jobseekers in which a treated group received algorithmic writing assistance. Treated jobseekers experienced an 8% increase in the probability of getting hired. Contrary to concerns that the assistance is taking away a valuable signal, the research finds no evidence that employers were less satisfied. It presents a model in which better writing is not a signal of ability but helps employers ascertain ability, which rationalizes our findings.

RECENT PAPERS ON THE BROADER JOBS' AGENDA

What Makes a Program Good? Evidence from Short-Cycle Higher Education Programs in Five Developing Countries

Bassi et al. | Working paper | January 2023

Short-cycle higher education programs (SCPs) can play a central role in skill development and higher education expansion, yet their quality varies greatly within and among countries. This paper explores the relationship between programs' practices and inputs (quality determinants) and student academic and labor market outcomes. The authors design and conduct a novel survey to collect program-level information on quality determinants and average outcomes for Brazil, Colombia, Dominican Republic, Ecuador, and Peru. Estimates indicate that some quality determinants may favor academic and labor market outcomes while others may hinder them.

Performance Through People: Transforming Human Capital into Competitive Advantage

McKinsey Global Institute | Report | February 2023

How does developing talent affect financial returns for firms? This research finds that companies with a dual focus on developing human capital and managing it well have a performance edge. These companies stand out in two important ways: greater earnings resilience and a superior ability to attract and retain talent, key advantages as businesses face economic headwinds, and a war for talent. In addition to building skills, these companies have distinctive organizational capital—their management practices, systems, and culture. They challenge and empower employees while fostering bottom-up innovation to make their human capital investments pay off.

The Employment Effects of Generous and Unconditional Cash Support

Verlaet, Todeschini & Ramos | Discussion Paper |
February 2023

While unconditional cash transfers have been studied extensively in developing countries, more is needed to know about their effects in a wealthier context. The paper examines the employment effects of a generous and unconditional transfer targeting low-income families in Spain through a randomized controlled trial. Two years into the program, subjects assigned to treatment are 20 percent less likely to work than subjects assigned to a control group. Assignment to an activation plan does not attenuate adverse effects; a more lenient transfer withdrawal rate does. Such

The Gender Labor Productivity Gap Across Informal Firms

Islam & Amin | Journal article | March 2023

This study uncovers a gender labor productivity gap among informal firms in 14 developing economies. The results show that labor productivity is approximately 15.2 percent lower among women-owned than men-owned informal firms. Lower education, lower experience, lower capitalization, and less protection from crime are some of the factors that contribute to explaining the gap. The results provide policy recommendations for improving the labor productivity of women. For one, a substantial productivity gap can be closed by providing more resources to women,

effects are driven by subjects with children, suggesting labor substitution for care tasks.

such as education, managerial experience, and physical capital.

Wage-Specific Search Intensity

Rendon | Journal article | February 2023

This paper proposes a job search model with an optimal choice of wage-specific search intensity. The proposed framework is based on a random search, yet it is extended to allow for a controlled random process so the search is no longer undirected. The proposed model allows agents to concentrate their search efforts in the upper wage segments so that they do not have to spend any effort on wage offers they will not accept anyhow, as in the usual framework in which search effort is not targeted. The study shows that wage-specific search intensity generates a distribution of accepted wages that differs substantially from the truncated distribution from the usual search intensity setup.

Weather Information and Agricultural Outcomes: Evidence from a Pilot Field Experiment in Benin

Yegbemey, Bensch & Vance | Journal article | December 2022

Weather conditions are an important determinant of agricultural factor input, particularly labor allocation. The availability of weather forecasts leads to efficiency gains in the form of cost decreases and productivity increases. The authors test the practical feasibility, the uptake, and the effect of providing basic weather forecasts in the rainy season on the labor productivity of smallholder farmers. For this purpose, they conducted an RCT Trial as a pilot involving farmers in north Benin. Findings suggest that weather-related information and mobile phone outreach help smallholder farmers adapt to changing weather better.

Natural Resources Modulate the Nexus Between Environmental Shocks and Human Mobility

Brottrager et al. | Journal article | March 2023

The harmful impacts of resource degradation have been proposed in some situations to limit the ability to move. In this contribution, the authors use remote sensed information coupled with population density data for continental Africa to assess the prevalence of migration and immobility in the context of one cause of resource degradation: drought. Findings show that the effect of drought on mobility is amplified with the frequency at which droughts are experienced and that higher-income households appear more resilient to climatic shocks and are less likely to resort to mobility as an adaptation response.

Impact of Small Farmers' Access to Improved Seeds and Deforestation in DR Congo

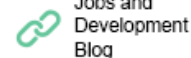
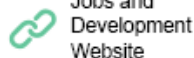
Bernard et al. | Journal article | March 2023

Since the 1960s, the increased availability of modern seed varieties in developing countries has positively affected households' well-being. However, the effect of related land use changes on deforestation and biodiversity is ambiguous. This study examines this question through a randomized control trial in a remote area in the Congo Basin rainforest with weak input and output markets. Using plot-level data on land conversion combined with remote sensing data, the authors find that promoting modern seed varieties did not increase overall deforestation by small farmers. Unless combined with interventions to maintain soil fertility, policies to promote modern seed varieties may come at the cost of important losses in biodiversity.

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