

*Our latest note tests the extent to which search and matching frictions are the cause of high levels of unemployment for educated youth in Jordan, and whether a job matching service can reduce unemployment.*

### **Testing Job Matching Services for Unemployed Educated Youth in Jordan**

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Unemployment rates for educated youth are high through-out most of the Middle East. Yet many firms say they have difficulty finding competent graduates.

Search and matching theory offers one potential explanation for this phenomena. According to these theories, persistent unemployment can arise when high search costs prevent firms with vacancies from linking with qualified graduates. These search frictions may be particularly high in developing countries in which employers are less confident with the signal obtained from grades and university than in developed countries, and where youth are less likely to have done internships or had serious work experience while studying. As a result, many workers and firms rely on a system of connections known by its name in Arabic, *wasta*, to fill job openings.

#### **The Labor Market Matching Service**

We worked with a Jordanian psychologist and Business Development Center (BDC), a leading training services firm in Jordan to develop and test a labor market matching service for educated graduates.

This matching service began by testing young job-seekers on a range of skills. They received four hours of tests that measured mental reasoning, English proficiency, Excel proficiency, soft skills such as the ability to work well in groups, and personality traits.

Firms with job openings were then asked about their needs for workers, and a skill and personality profile was developed

for the job. E.g. extroversion is likely to be important for sales positions, and organizational personality types for administrative positions, while some positions may require analytic ability, and others depend more on English ability.

BDC then identified three to five matches for each job opening. These candidates were called to explain the job, and if interested, their details were passed onto the firm, along with a description of why they would be a good fit for the job. Firms could then interview candidates, and hire them.

#### **Testing this via a Randomized Experiment**

We worked with a sample of 1,354 unemployed graduates – on average individuals aged 22 who had graduated about 9 months ago from university. These were randomized into a treatment group who we attempted to match to firms, and a control group which we didn't.

On the firm side we had an experimental sample of 2,279 small and medium firms who said they were interested in hiring a worker in the next 6 months, again randomized into treatment and control, as well as a booster sample of 175 larger firms to provide more job openings.

#### **Results**

- 56 percent of the treatment group of job-seekers were randomized into at least one match, with many matched to multiple jobs. This resulted in 1,143 matches being made.

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- However, in 28 percent of matches, job-seekers said they weren't interested in the job; and in 55 percent the firm didn't offer the job-seeker an interview.
- Only 10 percent of the matches (115 matches) resulted in an interview.
- Job offers were extended by the firm in almost half the cases where an interview took place (54 cases).
- But job seekers refused 30 out of the 54 job offers received, and quit within the first month in another 15 cases.
- The end result was only 9 jobs that lasted at least a month out of over 1,000 matches between job-seekers and firms.

#### **Why was this not more successful?**

On the labor demand side, despite firms saying that they had difficulty telling good and bad candidates apart before our intervention, and saying it is difficult to find qualified employees, in practice firms seem to be able to fill positions more easily than they say. We tracked open positions and found 88 percent were filled within 4 weeks.

The question then remains as to why youth turn down so many job opportunities. We consider several explanations, and find the evidence most supportive of the idea of *reservation prestige* – educated youth are unwilling to take jobs they consider beneath them, even for a temporary amount of time. A second experiment (described in the working paper listed below) provides more evidence for this view. There do not appear

to be economic costs of taking such jobs, so the reason appears to be perceived negative social costs and family prestige from taking on certain jobs.

#### **Policy implications**

Our results suggest the solution to high educated youth unemployment is more complicated than would be the case if the problem was just high minimum wages or high search costs. We see two avenues for future policy work:

1. Interventions on the firm side to spur a private sector which creates more skilled jobs - a combination of unequally applied regulations and other barriers to entry limits the entry of new firms and reduces the dynamism of the private sector.
2. Efforts on the labor supply side to encourage graduates to consider a wider range of jobs. This could include public sector reforms to make these jobs more comparable to the private sector, rather than the main thing graduates aspire to; efforts to promote and celebrate work in the private sector, including internships; and more career support within universities to help graduates broaden their range of jobs they might consider.

It is less clear whether there are policy actions that can help reduce the social costs of taking a less prestigious job, although this process may occur slowly as a response to some of the other changes proposed.

We also don't believe this one experiment should stop other attempts to develop better job matching services for graduates in other countries – the approach used here could be more successful in other societies.

For further reading see: [M. Groh, D. McKenzie, N. Shammout and T. Vishwanath \(2014\) "Testing the Importance of Search Frictions, Matching, and Reservation Prestige Through Randomized Experiments in Jordan", \*World Bank Policy Research Working Paper no. 7030\*.](#)

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