

# Impacts of Local Labor Market Information on Search and Employment: Evidence from India

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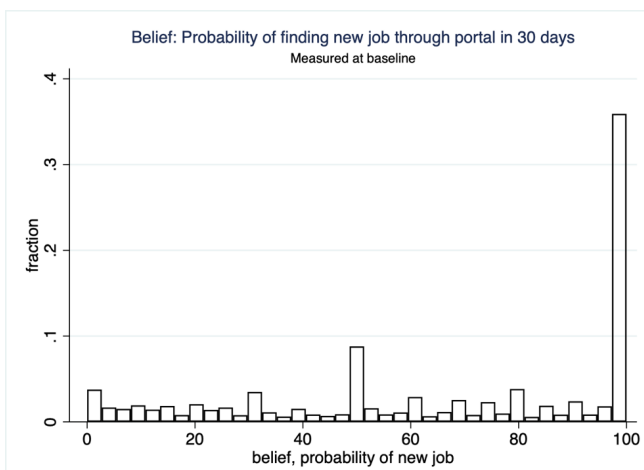


Providing information on local labor market conditions to job seekers increases their likelihood of being employed six months later.

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## Topic at a Glance

The job search process is complex and rife with information frictions. We partner with an online job portal to provide over 6,000 job seekers in India with customized and timely information about labor market conditions for their preferred city and occupation on the portal. Specifically, we randomly provide information regarding vacancies (demand), searchers (supply), or both (tightness); a control group receives only general job search guidance. We find that treated respondents are 10% more likely to be employed than control respondents six months after treatment. This positive effect is driven by those with less optimistic beliefs about finding new employment at baseline; these individuals adjust their search to find new jobs if unemployed and stay in the same jobs if employed at baseline. Our experiment shows how access to information about local labor market conditions can reduce frictional unemployment.



Caption: Belief: Probability of finding a new job through portal in 30 days.

## New Insights

We conducted an RCT with over 6,000 individuals across 9 cities to understand how providing information on local labor market conditions can affect search and employment decisions. In partnership with a low-wage online job portal in India, we recruit individuals who had recently been searching for jobs to our study from February 2021 to January 2022. Conditional on completing a baseline survey, they were randomized into control (N=1,070) or treatment (N=5,085). The control group received general job search advice, whereas the treatment group received labor market information about their preferred city and occupation. We varied the types of labor market information received by treatment respondents, which either focused on demand (number of vacancies, average salaries, experience requirements); supply (number of job seekers and applications; education and English skills); or tightness (number of vacancies, number of job seekers, likelihood of employer contact).

Information for the treatment group was constructed using administrative data shared by the job portal and provided monthly averages calculated over a 3-month period from the recent past. Individuals received information, as per their random assignment, after completing a baseline survey directly on their screens and via email. They also received updated information via email as per their random assignment for two additional months. We completed a follow-up survey to measure employment outcomes for 56% of the sample approximately 6 months after sampling.

Our baseline sample consists of employed and non-employed job seekers, with 29% reporting working in the 30 days before the baseline survey. Among the employed, the vast majority of individuals are actively searching for new jobs, with over 80% spending more than one hour on job search in the previous 7 days. The most common methods of search are internet-based job portals (80%) and networks (35%). Job seekers typically have a college degree or higher qualification and are less than 30 years old.

Job seekers are on average overly optimistic at baseline about the probability of finding new employment in the near future. Nearly

35% of job seekers believe they are guaranteed to find a new job through the portal that they are willing to join in the next 30 days. Moreover, the median belief stands at 75%.

Treated respondents are 4 percentage points (or 10 percent) more likely to report being employed in the follow-up survey six months after treatment. Whereas 40% of control respondents are employed, 44% of treatment respondents are employed. Treated respondents also earned approximately Rs. 1,000 more in income on average, primarily driven by the extensive margin effect on employment.

The positive employment effects are stronger for relatively less optimistic individuals. Using data on job seekers' baseline beliefs about finding new employment via the portal, we define those with beliefs above the median as 'more optimistic' and those below the median as 'less optimistic.' We find that less optimistic job seekers are 8.7 percentage points (or 24 %) more likely to be employed six months after treatment; in contrast, the employment effect for more optimistic job seekers is close to 0. We find suggestive evidence that the positive employment effect derives both from a higher likelihood that unemployed individuals at baseline find jobs and that employed individuals continue in the same jobs.

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*G<sup>2</sup>LM|LIC is a joint program by IZA and the UK Foreign, Commonwealth & Development Office (FCDO) – improving worldwide knowledge on labor market issues in low-income countries (LICs) and providing a solid basis for capacity building and development of future labor market policies.*

## Policy Recommendations

Our results highlight the importance of local labor market information and job seeker beliefs in shaping search and employment decisions. As internetbased job search becomes increasingly common in lower-income countries and costs of job search decline, better information about local labor market conditions can help reduce frictional unemployment.

## Limitations

We highlight two key limitations to our findings. First, our information treatments are only available to those who participated in the study, rather than all job seekers on the portal. We are therefore unable to draw conclusions about how our effects will scale if available to a wider population of job seekers, which we see as an important question for future research. Second, these findings are based on preliminary analysis of the data collected as part of the experiment. As such, the exact magnitudes reported here may be subject to revision upon further data exploration and robustness.

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