Public-Sector Hiring Policies and Private-Sector Labor Productivity

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Figure 1: Public Sector Employment As Proportion of Paid Employment
Especially For The High Skilled (70%)

Figure 2: Proportion of Tertiary Educated Working in the Public Sector
Public-sector hiring policies (number of jobs, wages, skills demanded) have impacts on the wider labor market.
This Importance Means That...

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  - Effects on public and private productivity
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- My research shows this by evaluating a change in **public-sector recruitment policies** in Ethiopia
What Is The Change In Recruitment Policy?

- Public sector begins to demand a higher education for entry
What Is The Change In Recruitment Policy?

- Public sector begins to demand a **higher education for entry**
- This change only becomes feasible when new local public universities are established
This Paper...

- Exploits time and spatial variation in rollout of new universities
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  - A difference-in-differences framework
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  - Labor force survey
  - Civil servants survey (Bureaucracy Lab)
  - Coded performance appraisal admin data
Time Variation: Expansion During The 2000s (8 to 33)

**Figure 3:** Growth in Public Universities, 1999-2014

![Bar Chart: Growth in Public Universities, 1999-2014](chart.png)
Spatial Variation
As The Reform Is Introduced...

- The public sector demands higher skills for entry
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Talented individuals (those able to achieve higher education) start to switch the relatively attractive public sector
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- 4.5% increase in performance appraisal scores
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  - 4.5% increase in performance appraisal scores
    - 11% more motivated
    - Work 6 hours more per week
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  - *Incentives to switch are greater*
The private sector loses out on talented individuals

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Incentives to switch are greater

⇒ A trade-off between public & private productivity
Public-sector hiring policies (size, wages, recruitment) have implications for the wider economy
Conclusion

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- We get there by...
  - Combining data across sectors and systems
  - Exploiting variation in reform implementation (timing)
The Public Sector Is An Important Employer

Figure 4: Public Sector Employment As Proportion of Paid Employment
As The Reform Is Introduced...

- Talent **6 percentage points less likely to be employed**
  - Searching for jobs; preparing for exams/interviews
  - Not working/engaging in productive activities
    - Individual details of recruitment process matter for the labor market

Back