

Job search monitoring intensity, unemployment exit and job entry: Quasi-experimental evidence from the UK[☆]

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Abstract

Because unemployment benefit reforms tend to package together changes to job search requirements, monitoring and assistance, few existing studies have been able to empirically isolate the effects of job search monitoring intensity on the behaviour of unemployment benefit claimants. This paper exploits periods where monitoring has been temporarily withdrawn during a series of Benefit Office refurbishments — with the regime otherwise unchanged — to allow such identification. During these periods of zero monitoring the hazard rates for exits from claimant unemployment and for job entry both fall.

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1. Introduction

Job search monitoring is the process of checking whether unemployed workers engage in sufficient search activity to qualify for receipt of unemployment benefits. Its purpose is to counteract the search disincentive effect of such benefits. Johnson and Klepinger (1994), Fredriksson and Holmlund (2005) and Manning (2005) present models in which search effort increases with the threshold search level required for eligibility. Intuitively, increasing the intensity of job search monitoring, which can be interpreted as the degree to which such search

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requirements are enforced, will have similar effects (for a discussion see [Klepinger et al., 2002](#)), and will therefore reduce the duration of unemployment spells and boost job entry rates.

[van den Berg and van der Klaauw \(2006\)](#), however, introduce some ambiguity to this prediction. They present a model which differentiates between formal job search and informal job search. Formal job search is the label given to all those job search activities that are monitored by the benefits agency, e.g. visits to the employment service office, time spent reading newspaper job advertisements. Informal job search, on the other hand, is those search activities that are not monitored by the benefits agency, e.g. search through social networks. In this case, more intense job search monitoring leads to increased formal job search but reduced informal job search, with ambiguous overall impact on unemployment duration and job entry rates depending on which type of job search is most effective. [Manning \(2005\)](#) introduces ambiguity in a different way by showing that if search requirements are set too high, unemployed workers may respond by reducing search effort, ceasing to claim unemployment benefits, and moving into unregistered (non-claimant) unemployment or inactivity rather than into employment.

Even without these theoretical ambiguities, there is a clear need for empirical evidence on the effects of job search monitoring because of its widespread use (e.g. see [Martin and Grubb, 2001](#)). Introducing theoretical ambiguity makes this even more crucial. Such empirical evidence, however, is rather thin on the ground. The main reason for this is that benefit reforms, although extensively evaluated, have tended to package together changes to job search monitoring with other changes, e.g. to job search requirements, job search assistance, or benefit rates, so preventing separate identification of monitoring impacts. Further, in the few cases where studies *have* looked for such impacts, they have found contrasting results.

This paper exploits exogenous periods where job search monitoring was temporarily suspended, during a series of sometimes lengthy Benefit Office refurbishments across one region of the UK (Northern Ireland), to provide new quasi-experimental evidence on the impact of monitoring intensity on male unemployment durations and on the flow of unemployed men into employment and into other non-employment states including education or training and inactivity. Although job search monitoring was completely suspended during these periods, job search requirements, job search assistance services, and all other benefit characteristics were unchanged. So, these refurbishments represent a rare opportunity to identify the impact of monitoring intensity. The resulting estimates show that the suspension of monitoring increased average unemployment duration and reduced the hazard rate for job entry. In the context of [van den Berg and van der Klaauw \(2006\)](#), this suggests the positive impact of monitoring on formal search dominates the negative impact on informal search, at least for the monitoring intensities and benefit claimants considered here. Suspension of monitoring also affects the hazards for exits to non-employment states as [Manning \(2005\)](#) suggests, although the evidence in this respect is more mixed.

The remainder of this paper is set out as follows. The following section briefly reviews the existing empirical literature on the impacts of job search monitoring. Section 3 provides details of the Benefit Office refurbishment programme and Section 4 discusses identification of the monitoring impacts. Section 5 describes the data and the hazard functions to be estimated. Section 6 presents and discusses the estimation results and Section 7 concludes.

2. Existing Empirical Literature

Unemployment benefit systems, and *changes* to unemployment benefit systems, tend to couple together job search requirements and monitoring (the ‘stick’) with job search assistance

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