



Monitoring job search effort: An evaluation based on a regression discontinuity design



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ABSTRACT

Since July 2004, the job search effort of long-term unemployed benefit claimants has been monitored in Belgium. We exploit the discontinuity in the treatment assignment at the age of 30 present in the first year of the reform to evaluate the effect of a notification sent at least eight months before job search is verified. Eight months after this notification and prior to the first monitoring interview, transitions to employment have increased by nearly nine percentage points compared to the counterfactual of no reform. Participation in training is raised, but not significantly, while withdrawals from the labor force are not affected.

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1. Introduction

The payment of unemployment benefits (UB) involves a trade-off between insurance and work incentives. Many economic researchers have studied how limiting the coverage of UB and the duration of benefit entitlement can restore work incentives (e.g. see [Lalive et al., 2006](#)). However, most UB schemes also provide work incentives by imposing job search requirements, amongst others, on benefit claimants. [Boone et al. \(2007\)](#) argue that such requirements, enforced by monitoring and sanctions, may deliver the right incentives by imposing lower costs than the aforementioned alternatives. This paper is about the impact of such a monitoring scheme introduced in the Belgian UB scheme in 2004.

In many countries monitoring of job search effort is organized along relatively standardized procedures ([OECD, 2007](#)). It starts off with a notification (often at initial registration) by which the unemployed worker is

informed about the search requirements and the proofs thereof to be delivered, about the timing of the evaluations of search effort, and about the associated sanctions in the case of non-compliance. On the prescribed dates, past job search effort is evaluated on the basis of transmitted paper proofs of job applications or in face-to-face interviews. If the outcome of the evaluation is negative, a sanction in the form of a temporary and partial reduction of unemployment benefits (UB) usually follows.

Early studies¹ found positive effects of monitoring on the job finding rate. However, since programs themselves often combined counseling with monitoring, they could not disentangle which of these components was responsible for such findings. A number of later contributions have succeeded in isolating the pure effects of monitoring. [Klepinger et al. \(1997\)](#) in the US and [McVicar \(2008\)](#) in Northern Ireland demonstrate that monitoring significantly increases transitions to employment.² In contrast to this evidence, [Ashenfelter](#)

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¹ See [Meyer \(1995\)](#) for a review of US studies, [Gorter and Kalb \(1996\)](#) and [Dolton and O'Neill \(1996, 2002\)](#) for European studies.

² [Borland and Tseng \(2007\)](#) provide evidence of enhanced exits from unemployment, but could not identify the exit destination.

et al. (2005) find that tighter search requirements in the US have insignificant effects on transitions to employment and Klepinger et al. (2002) report even slightly decreasing job finding rates. This is in line with the insignificant effect of job search monitoring reported by van den Berg and van der Klaauw (2006) for the Netherlands. Van den Berg and van der Klaauw (2006) argue that the result is caused by the substitution of formal by informal search, a phenomenon that would be especially relevant for well qualified workers on whom they focus in their study. Finally, Manning (2009) reports that too strict search requirements may lead UB recipients to stop claiming and to withdraw from the labor force. Petrongolo (2009) confirms this, demonstrating moreover that monitoring substantially decreases employment stability and annual earnings in the long-term.

In Belgium job search effort has only been monitored since 2004 and it targets only long-term unemployed workers, collecting UB for more than 13 months. Monitoring consists of face-to-face interviews in which caseworkers have a reasonable degree of discretion in the evaluation of the fulfillment of search requirements. The system is more lenient than in many other countries in that evaluations are much more spread out over time and the first negative evaluation does not lead to a monetary sanction. In addition, at the time of notification, job search requirements are not, as is usual, stated in terms of delivering proof of a minimum number of job applications, but it is rather vaguely stated that one needs to be searching for jobs on a “regular basis” and to collect written proofs of the search actions undertaken. By contrast, if imposed, sanctions are substantial. If one does not comply with the search actions stipulated at the first negative evaluation, benefits can be completely withdrawn at the subsequent interview: first temporarily during four months, but subsequently the entitlement to UB is completely halted in the case of recidivism.

In this paper we evaluate the impact of the 2004 reform in Flanders (the Dutch speaking northern region of Belgium).³ The analysis is based on rich administrative data, which do not only allow the impact on the job finding rate to be identified, but also on exits to training and to a residual “out of the labor force” state.⁴ A regression discontinuity design (RDD), resulting from the gradual phasing in of the new monitoring scheme by age group, identifies these effects under weak assumptions (Lee and Lemieux, 2010). Between July 2004 and June 2005 the job search requirements were only imposed on benefit claimants younger than 30 years on July 1, 2004. In the subsequent years, the older age groups were gradually integrated. This study exploits the discontinuity in the treatment assignment at the age of 30. Since this discontinuity disappears after a year, we can only identify the effect of monitoring job search from the moment that the assessment period starts until eight months later, before the first monitoring of past job search effort takes place. We therefore cannot study the impact of the assessments at interviews and the imposed sanctions in the case of a negative evaluation.

The outline of the article is as follows. In the next section we describe the institutional setting and the features of the new monitoring scheme. Section 3 describes the data. The estimation method is presented in Section 4. Section 5 reports the treatment effects on various outcomes and contains a number of validity checks. A final section contains the conclusion.

³ The reform was accompanied by a reinforcement of the counseling intensity in the two other regions (Wallonia and Brussels), so that the reform only identifies the pure effect of monitoring in Flanders. We refer the interested reader to Cockx and Dejemeppe (2010) for further discussion of the policy reform in Wallonia and Brussels.

⁴ In Cockx and Dejemeppe (2010) the quality of employment in terms of starting wages and duration was also studied, but since the causal impact of monitoring on this quality could not be identified, we no longer report on this aspect.

2. Institutional setting and features of the new monitoring scheme

2.1. Before the 2004 reform

Belgium is a federal state that has decentralized certain policies to regional authorities. The payment of UB and the issuing of sanctions in the case of non-compliance with the rules are organized at federal level. The Public Employment Services (PES) are organized at regional level. They are in charge of counseling, job search assistance, intermediation services and training of unemployed and employed workers.

In Belgium a worker is entitled to UB in two instances: (i) after graduation from school conditional on a waiting period of nine months; (ii) after involuntary dismissal from a sufficiently long-lasting job. In contrast to many other countries there is no time limit on the payment of UB.⁵ School-leavers are entitled to flat rate benefits while dismissed workers earn a gross replacement rate ranging between 40% and 60% of past earnings, which is bracketed by a floor and a cap. The benefit level depends on household type (head of household, cohabitant or single) and on unemployment duration for dismissed singles and cohabitants.

Sanctions could be imposed for not complying with administrative rules: (i) making a false declaration (e.g. with regard to the household type or an undeclared employment relationship) or (ii) being unavailable for the labor market (not registered as a job searcher at the regional PES, not turning up at an appointment in the PES or UB agency, turning down a ‘suitable’ job offer or refusing job search assistance or participation in training offered by the regional PES, etc.). Before the reform in 2004, roughly 80% of the monitoring reports regarding availability concerned not turning up at an appointment. Job search was not monitored at that time.⁶

Job seekers may on their own initiative make use of the services provided by the regional PES free of charge. In addition, before the 2004 reform the PES in Flanders followed-up all registered job seekers systematically. Inspired by the first European guidelines for employment,⁷ job seekers were required to attend a meeting with a counselor a number of months (9 months for those older than 25) after the initial registration. Depending on the outcome of this meeting, an action plan was drawn up and followed-up. Non-compliance with action plans could be sanctioned. However, the imposed actions did not consist of job search, but of participation in counseling and training programs, and of responding to job offer referrals.

2.2. The 2004 reform

The monitoring scheme was gradually phased in by age group. Between July 2004 and June 2005 only unemployed workers younger than 30 (on July 1) were involved. In the following year those younger than 40 were included and between July 2006 and June 2007 those younger than 50. Those older than 50 years are not targeted by the scheme. The analysis in this paper exploits the discontinuity in the treatment assignment at 30 years in the first year of the reform.

The monitoring procedure consists of several steps: a notification and up to three face-to-face interviews. Fig. 1 summarizes the timing in the case of negative evaluation. In the case of positive evaluation at any of the interviews, a new sequence of interviews is scheduled: 16 months later after the first interview and 12 months later otherwise.

⁵ There was an exception for cohabitants living with a partner earning a sufficiently high income (Cockx and Ries, 2004). However, this scheme was abolished with the 2004 reform.

⁶ Note that at counseling interviews job search strategies could be discussed, but counselors did not monitor job search effort and if the unemployed person did not follow up the job search advice of the counselor, she would not be sanctioned.

⁷ This refers to the guidelines decided at the meeting of the European Summit in Luxembourg in 1997 stating that all unemployed workers should be counseled and appropriately activated not later than six or 12 months after the start of their unemployment spell, respectively for those younger or older than 25 years.

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