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Journal of Econometrics 125 (2005) 53–75

JOURNAL OF
Econometrics

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Do unemployment insurance recipients actively seek work? Evidence from randomized trials in four U.S. States

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Available online 30 July 2004

Abstract

In this paper, we report the results of the only field test of which we are aware that uses randomized trials to measure whether stricter enforcement and verification of work search behavior alone decreases unemployment claims and benefits paid in the U.S. unemployment insurance (UI) program. These experiments, which were implemented in four U.S. sites in Connecticut, Massachusetts, Virginia and Tennessee, were designed to explicitly test claims based on nonexperimental data, summarized in Burgess and Kingston (An Incentives Approach to Improving the Unemployment Compensation System, W. E. Upjohn Institute for Employment Research, 1987), that a prime cause of overpayments is the failure of claimants to actively seek work. Our results provide no support for the view that the failure to actively search for work has been a cause of overpayment in the UI system.

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Keywords: Unemployment insurance; Randomized experiments; Work search verification

1. Introduction

In the last two decades, U.S. policies have moved from the use of incentives to the use of sanctions to promote work effort in social programs. This shift in orientation in public policies has been documented by Jencks (1992), who, like Murray (1984), argues that it has been based, in part, on the perception that these programs are riddled with abuse. Surprisingly, except for anecdotes, there is very little systematic

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evidence of the extent to which sanctions applied to abusive use of social entitlements result in greater work effort.

In this paper, we report the results of the only field test of which we are aware that uses randomized trials to measure whether stricter enforcement and verification of work search behavior alone decreases unemployment claims and benefits paid in the U.S. unemployment insurance (UI) program. These experiments, which we implemented in four sites in Connecticut, Massachusetts, Virginia, and Tennessee, were designed to explicitly test claims based on nonexperimental data, summarized in [Burgess and Kingston \(1987\)](#),¹ that a prime cause of overpayments is the failure of claimants to actively seek work.

Our results provide no support for the view that the failure to actively search for work has been a cause of overpayments in the UI system. These results provide a much-needed complement to the results of other UI system experiments reported by [Meyer \(1995\)](#), who first brought these unique field experiments to broad attention. The treatments in the experiments [Meyer \(1995\)](#) surveys, which he reports were cost effective, incorporated elements of both work search verification and a system designed to teach workers how better to search for jobs. The experiment reported here incorporated only the element of work search verification, and we find that the treatments provided no benefits. Taken together, the results of both sets of experiments imply that providing workers with subsidized job search assistance may be a relatively inexpensive way to provide cost effective, but small, benefits to both workers and society.

In the remainder of the paper we first set the stage for our analysis with a brief description of previous research on UI work search rules and the details of operation of the current U.S. system. We next discuss our experimental design, the nature of the experimental treatment, and our data collection procedures. Since randomization is so important for our estimation procedure, and since there is some evidence that several field experiments have not been properly randomized, we next report tests of the effectiveness of our simple randomization technique. Finally, we report the effect of the experimental treatment on claimant qualification rates, benefit payments, and claim durations. We conclude with a brief discussion of the implications of our findings.

2. Previous research

Since its inception in 1930, the UI program has always been controversial.² The controversy is often attributed to the potential disincentives created by the program: UI reduces the cost of searching for a job while unemployed, which might prolong the length of insured unemployment. In order to reduce these disincentives, states typically impose work-search requirements on UI recipients. However, state agencies do not always formally validate the information provided by the recipients,³ which

¹ See also [Kingston et al. \(1986\)](#) and [Wolf and Greenberg \(1986\)](#).

² See [Blaustein et al. \(1997\)](#).

³ See, for example, [Decker \(1997\)](#).

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