

Discussion of: Reemployment effects from increased activation Evidence from times of crisis

Arne Uhlenдорff

University of Mannheim and IAB Nuremberg

Summary

- Introduction of an activation program in 03/2012 for unemployed workers > 44 years or being unemployed > 6 months
- Comparison of transition rates before and after month 6
- Estimation of causal effects based on a fuzzy RD design (UE duration > 6 as an instrument)
- Results indicate a strong positive effect of being treated on the probability of leaving unemployment for a job

RD design and unemployment duration

- Usually papers look at discontinuities – e.g. UI benefit duration depending on age – determined **before** the entry into unemployment
- Here: treatment status changes depending on the duration of the unemployment duration
- Individuals are first untreated and - if they do not leave unemployment before - potentially treated after month 6

Comments

Main assumptions:

- No behavioral response before month 6, no threat effects of positive treatment probability in the future?
- Positive risk of treatment after month 6. Does this have no impact on the not yet treated who are unemployed > 6 months?

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Institutional setting:

- Additional discontinuity after month 6 due to a 10% decrease in UI benefits (introduced in 03/2012)?
- Part of the program are wage subsidies. To what extent might this explain the positive findings?

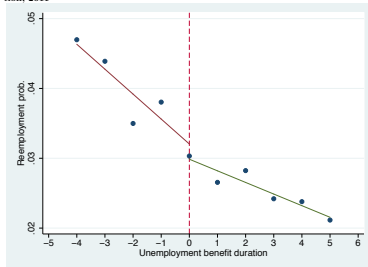
Comments

Alternative econometric approach

- Exploit the introduction of the program at different points in time of the unemployment spells for the stock of unemployed in 03/2012
- Based on the stock of unemployed
- Main assumption: no anticipation of the reform
- IFS working paper by van den Berg, Bozio, Costas Dias (2013)

Transitions rates before and after the reform

Figure 9: Falsification test: reemployment probabilities, by (centered) UB duration, 2011



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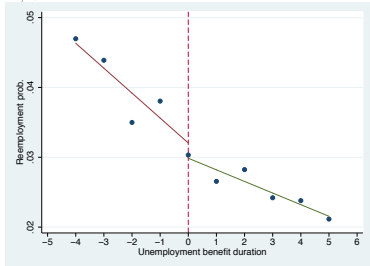
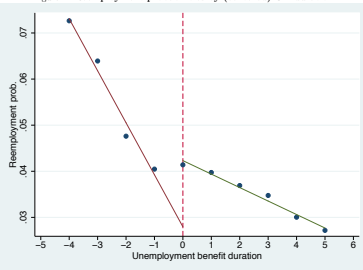


Figure 2: Reemployment probabilities by (centered) UB duration



Results

Might be interesting to look at additional outcomes

- Do you know what kind of ALMP the treated individuals enter?
- Do you find the same effects looking at transitions to unsubsidized jobs?
- For older worker benefit cut after 6 months, but program from the beginning. Different pattern?
- Do you observe post-unemployment outcomes?
- Why do you exclude workers with more than 12 months potential UI benefit receipt? Helping them might be especially interesting

Interpretation of the effects

- You estimate local treatment effects: impact on transition rates at the threshold of 6 months for the compliers. Given this, the cost benefit analysis is based on very strong assumptions.
- Displacement effects might be important

Literature:

- Lechner and Wunsch (2009, JOLE): Are training programs more effective when unemployment is high?
- Forslund, Fredrikson and Vikström (2011, NEPR): What active labor market policy works in a recession?
- van den Berg, Bozio, Costa Dias (2013, IFS WP): Policy discontinuity and duration outcomes