



Title registration for a review proposal: The effect of benefit exhaustion on employment

Submitted to the Coordinating Group of:
Social Welfare

TITLE OF THE REVIEW

The effect of benefit exhaustion on employment

BACKGROUND

Briefly describe and define *the problem*

There is a trade-off in adjusting the length of unemployment benefits; this trade-off is between protection and distortion. Benefit programs protect individuals against loss of income and provide unemployed individuals the possibility to find a better match between their qualifications and job vacancies. However the same benefit can also distort incentives through job searches that are long and unproductive.

Therefore unemployment benefits should aim for a balance between protection and distortion. Adjusting the length of benefit eligibility is one strategy for finding this balance, but the effects of such an economic intervention are unknown (Feldstein 2005; Mortensen 1987).

There have been many analyses on whether benefit exhaustion influence the exit rate out of unemployment, both theoretical, through job search theory, and empirically (Feldstein 2005; Mortensen 1987; Card, Chetty and Weber 2007; Celiendo, Tatsiramos and Uhlenhoff 2009; Meyer 1990; Katz and Meyer 1990). Empirically many papers find the so called 'spike' in the exit rate for unemployment at the exhaustion date of benefits, or just before exhaustion. This 'spike' implies that a large share of individuals leave unemployment when benefits exhaust (Card,

Chetty and Weber 2007; Celiendo, Tatsiramos and Uhlenhoff 2009; Meyer 1990; Katz and Meyer 1990). However to our best knowledge there are no systematic reviews on this topic.

The objective of this systematic review is to assess current evidence on the impact of exhaustion of benefits on employment.

Briefly describe and define *the population*

The population consists of unemployed individuals who receive some sort of benefit during their unemployment spell. These benefits may be in the form of unemployment insurance (UI) or social assistance (SA). In some countries (e.g. Denmark, Sweden, and Norway), two systems provide benefits to unemployed individuals: an UI system for individuals who have a strong labour market attachment and a social welfare system for individuals who often have other problems in addition to un-employment. In this review, we will include participants receiving all types of unemployment benefits. We will not restrict our attention to certain groups of participants, since the main focus of this review is on the incentive effect to find a job when benefits exhaust. Therefore, we will include all unemployed participants regardless of age, gender, etc.

Briefly describe and define *the intervention*

The intervention is benefits exhaustion. That is, unemployment or social assistance benefits with an exhaustion date. The no-treatment control group is comprised of unemployed individuals who are not faced with benefit exhaustion

Outcomes: What are the intended effects of the intervention?

The intended goal of the intervention is enabling the unemployed individuals to cope on their own through paid work. The primary outcome is the employment probability for the individual just prior to unemployment benefit exhaustion. This outcome can, for example, be measured by the individuals' hazard rate of leaving unemployment. The effect may be given as a relative change in hazard rates or as an absolute change in hazard rates.

The secondary outcome is employment duration, if the studies report such information.

OBJECTIVES

The objective of this systematic review is to assess current evidence on the impact of exhaustion of benefits on employment.

METHODOLOGY

We will review all studies that estimate an effect, either using a no-treatment control group or using an estimated counterfactual outcome which corresponds to no treatment.

These studies will include randomised controlled trials, quasi-experiments, natural experiments, and econometric studies based on observational data, which may be either survey or register data.

REFERENCE LIST

Card, D., R. Chetty, and A. Weber (2007): *The Spike at Benefit Exhaustion: Leaving the Unemployment System or Starting a New Job*, IZA DP No. 2590

Celiendo, M., K. Tatsiramos, and A. Uhlenhoff (2009): *Benefit Duration, Unemployment Duration and Job Match Quality: A regression-Discontinuity Approach*, IZA DP No. 4670.

Feldstein, M (2005): "Rethinking Social Insurance," *The American Economic Review*, Vol. 95, No. 1, pp. 1-24.

Katz, L. F. and B. D. Meyer (1990): *The impact of the Potential Duration of Unemployment Benefits on the Duration of Unemployment*, *Journal of Public Economics* 41 45-71, North-Holland

Meyer, B. D. (1990): *Unemployment Insurance and Unemployment Spells*," *Econometrica* Vol. 58(4) pp. 757-82

Mortensen, D. T (1987): "Job Search and Labor Market Analysis," *Handbook of Labor Economics* Vol. 2, North-Holland

SOURCES OF SUPPORT

Internal funding:
SFI Campbell

External funding:
None

DECLARATIONS OF INTEREST

None known

REQUEST SUPPORT

Do you need support in any of these areas (methodology, statistics, systematic searches, field expertise, review manager etc?)

AUTHOR(S) REVIEW TEAM

Include the complete name and address of reviewer(s) (can be changed later). This is the review team -- list the full names, affiliation and contact details of author's to be cited on the final publication.

Lead reviewer:

The lead author is the person who develops and co-ordinates the review team, discusses and assigns roles for individual members of the review team, liaises with the editorial base and takes responsibility for the on-going updates of the review

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ROLES AND RESPONSIBILITIES

Please give brief description of content and methodological expertise within the review team. The recommended optimal review team composition includes at least one person on the review team who has content expertise, at least one person who has methodological expertise and at least one person who has statistical expertise. It is also recommended to have one person with information retrieval expertise. Who is responsible for the below areas? Please list their names:

- Content: Lise Sand Ellerbæk, Trine Filges, Lars Pico Geerdsen
- Systematic review methods: Krystyna Kowalski
- Statistical analysis: Lise Sand Ellerbæk, Trine Filges, Lars Pico Geerdsen
- Information retrieval: Anne-Marie Klint Jørgensen

PRELIMINARY TIMEFRAME

Approximate date for submission of Draft Protocol (please note this should be no longer than six months after title approval. If the protocol is not submitted by then, the review area may be opened up for other reviewers):

Title registration approved: 21 May 2010

Submission of draft protocol: 1st October 2010