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## Title Registration for a Systematic Review: Reducing Unemployment Benefit Duration to Increase Job Finding Rates: A Systematic Review

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## TITLE OF THE REVIEW

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Reducing Unemployment Benefit Duration to Increase Job Finding Rates: A Systematic Review

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## BACKGROUND

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Benefit programs protect individuals against loss of income and provide unemployed individuals the possibility of finding a better match between their qualifications and job vacancies. This positive aspect of inducing risk-averse workers to achieve better job matches has been shown to increase economic efficiency (Acemoglu & Shimer, 1999; Marimon & Zilibotti, 1999).

However, unemployment benefits may also distort incentives by subsidizing long and unproductive job searches. In fact, the generosity of unemployment benefits is generally considered the main aspect in which benefit systems affect nemployment. From a societal point of view, optimal unemployment benefit systems, therefore, balance considerations for protection with those for distortion (Feldstein, 2005; Mortensen, 1987).

Generosity of benefits is determined not only by the paid-out amounts but also by the duration of benefit entitlement. In the US, replacement rates<sup>1</sup> are low and duration is short compared to benefit systems in most European countries. In 2005 the maximum duration of unemployment insurance entitlement among OECD countries <sup>2</sup> was shortest in the US at 6 months <sup>3</sup> and longest in Denmark, Norway, Portugal, the Netherlands, France, Finland and Spain, varying between 23 and 48 months (OECD, 2007). At the same time, the gross initial replacement rate was around 50% in the US, while varying between 62% and 90% in the aforementioned European countries.

The lower level of generosity of benefits in the US compared to Europe is consistent with the observation of higher levels of active searches and a greater willingness to accept inferior jobs by unemployed workers in the US compared to Europe (Layard, Nickell & Jackman, 2005). Theory suggests that putting a limit on benefit duration will tend to accelerate job search from the beginning of the unemployment spell and thereby shorten unemployment duration (Pissarides, 2000). As a consequence European policy-makers may be tempted to reduce the generosity of unemployment systems in order to reduce high unemployment levels. While lowering the replacement rate may be politically intractable (indeed, examples of reductions of benefit rates and amounts are rare), the length of the unemployment benefit entitlement period is often used as a political instrument to improve work incentives for the unemployed. In Spain, for example, the benefit period was altered in 1992, in Slovenia in 1998, in Norway in 1997, in the UK in 1996, in Denmark in 1996, 1998 and 1999, and, more

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<sup>1</sup> The replacement rate is the ratio of the unemployment benefit and previous earnings.

<sup>2</sup> For a 40-year-old single worker without children and with a 22-year employment record.

<sup>3</sup> The maximum duration was also around six months in the Czech Republic, the Slovak Republic, and the United Kingdom.

recently, in the Czech Republic in 2004, in Hungary and Portugal in 2006, and in Denmark again in 2010.

This review will focus on the effect on unemployment duration of reducing the maximum entitlement of unemployment benefits.

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## **OBJECTIVES**

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Does a shortening of the maximum duration of unemployment benefit entitlement increase job finding rates and thereby shorten unemployment duration? From which point in the unemployment spell do individuals react to the length of benefit entitlement?

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## **EXISTING REVIEWS**

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To the best of our knowledge there are currently no systematic reviews on the topic.

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## **INTERVENTION**

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The intervention of interest is reducing maximum entitlement of any kind of unemployment benefits. The benefits may be unemployment insurance (UI) benefits or they may be unemployment assistance (UA)/social assistance (SA). The only requirement is that the benefit must have a known expiration date. The UI benefit usually has a known time-limit whereas UA and SA usually are indefinite. Unemployment benefits with an indefinite time limit or non-financial benefits will be excluded from this review. The comparison will be no reduction in maximum benefit entitlement.

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## **POPULATION**

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The participants will be unemployed individuals who receive some sort of time limited benefit during their unemployment spell. We will include participants receiving all types of unemployment benefits with a known exhaustion date. The only restriction is that the benefits must be related to being unemployed. We will therefore exclude individuals receiving other types of benefits not related to being unemployed. We will not restrict our attention to certain types of participants, since the main focus of this review is on the incentive effect to find a job when the benefit period shortens. Therefore, we will include all unemployed participants regardless of age, gender, etc. who receive some sort of time limited benefit during their unemployment spell.

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## OUTCOMES

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The objective of the review is to determine whether reducing the maximum entitlement to unemployment benefits motivates unemployed individuals to find a job quicker. Distinguishing between destinations is therefore vital. The primary outcome is exits to employment. Studies only looking at exits to other destinations such as other types of social benefits or non-employment will not be included in this review or studies who do not distinguish between destinations will be excluded from this review.

In addition to the primary outcome measure, we will consider secondary outcomes in terms of the impact reducing maximum entitlement of benefit have on the duration of re-employment and on income. This is to obtain a clearer picture of the effect reducing the maximum entitlement of unemployment benefit has on the quality of the job. If the duration of re-employment or the wage is low, this could indicate that reducing entitlement forces unemployed individuals to find jobs that do not match their qualifications and therefore they may return to unemployment quickly.

### Primary outcomes

- a) Exit rate from unemployment to employment

### Secondary outcomes

- a) Duration of re-employment
- b) Re-employment wage

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## STUDY DESIGNS

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The proposed project will follow standard procedures for conducting systematic reviews using meta-analysis techniques.

We will include study designs that use a well-defined control group. The study designs we will include in the review are:

- Controlled trials (all parts of the study are prospective, i.e. identification of participants, assessment of baseline, allocation to intervention, assessment of outcomes and generation of hypotheses; see Higgins & Green, 2008):
  - RCT - randomized controlled trial

- QRCT - quasi-randomized controlled trial (i.e., participants are allocated by means such as alternate allocation, person's birth date, the date of the week or month, or alphabetical order)
- NRCT - non-randomized controlled trial (i.e. participants are allocated by other actions controlled by the researcher)
- Non-randomized studies (includes truly observational studies where the use of intervention has occurred in the course of usual decisions)
  - NRS - the allocation is not controlled by the researcher and there is a comparison of two or more groups of participants. Participants are allocated by means such as time differences, location differences, decision-makers, or policy rules.

Non-randomized studies must demonstrate pre-treatment group equivalence via matching, statistical controls, or evidence of equivalence on key risk variables (e.g., labour market conditions) and participant characteristics.

Notably due to the nature of the field few randomised controlled trials are performed regarding the effectiveness of such social and labour market policies. Therefore, studies of the effect of reducing unemployment benefit entitlement typically are estimated on observational data, often collected from administrative registers or by questionnaires. Studies that use different data sources for treatment and control groups will not be included in this review.

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## REVIEW AUTHORS

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## **ROLES AND RESPONSIBILITIES**

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Please give a brief description of content and methodological expertise within the review team. It is recommended to have 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. Please note that this is the *recommended optimal* review team composition.

- Content: Trine Filges and Anders Bruun Jonassen
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- Statistical analysis: Trine Filges and Anders Bruun Jonassen
- Information retrieval: Anne Marie Klint Jørgensen

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## **FUNDING**

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**External funding:** None

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## **POTENTIAL CONFLICTS OF INTEREST**

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None known

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## **PRELIMINARY TIMEFRAME**

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- Date you plan to submit a draft protocol: within 6 months of title registration
- Date you plan to submit a draft review: within 18 months of protocol approval

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## AUTHOR DECLARATION

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**Form completed by: Trine Filges**

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