

The impact of monitoring and sanctioning on unemployment exit and job-finding rates

Job search monitoring and benefit sanctions generally reduce unemployment duration and boost entry to employment in the short term

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ELEVATOR PITCH

Unemployment benefits often reduce incentives to search for a job. Policymakers have responded to this behaviour by setting minimum job search requirements, by monitoring to check that unemployment benefit recipients are engaged in the appropriate level of job search activity, and by imposing sanctions for infractions. Empirical studies consistently show that job search monitoring and benefit sanctions reduce unemployment duration and increase job entry in the short term. There is some evidence that longer-term effects of benefit sanctions may be negative.

KEY FINDINGS

Pros

- ⊕ Most developed countries have some form of job search monitoring for unemployment benefit recipients and a system of benefit sanctions for infractions.
- ⊕ Even just the threat of benefit sanctions can reduce unemployment duration and increases job entry rates.
- ⊕ Being sanctioned reduces unemployment duration following the sanction and increases the rate of job entry.
- ⊕ Job search monitoring leads to shorter unemployment duration and higher job entry rates in the short term.
- ⊕ There is enough evidence to question recent moves in some countries to relax such measures.

Cons

- ⊖ There is some evidence that being sanctioned can lead to withdrawal from the labor force and a reduction in post-unemployment earnings.
- ⊖ More research is needed to examine the effects of monitoring and sanctions in a wider range of contexts, on a wider range of outcomes, and over a longer time frame.

AUTHOR'S MAIN MESSAGE

Evidence is growing that job search monitoring and benefit sanctions for infractions reduce the duration of unemployment and increase the rate of job entry. There is also some evidence that such measures can drive people out of the labor force and may reduce the quality of job matches. Substantial gaps in the evidence base remain, however. Nevertheless, there is enough evidence to question recent moves in some countries to relax such measures.

