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

Arne Uhlendorff

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?
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?

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?
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
Transitions rates before and after the reform

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

Notes:
The horizontal axis indicates the (centered) values of UB duration. The vertical axis indicates the probability of reemployment in the subsequent month in 2011, the year before the Convocatión programme. The red and green lines correspond to linear equations over the four and five observations at the left and right of threshold UB duration, respectively. The left line was extended towards the threshold value by computing its predicted value at that level of UB duration. The results are based on a different data than the one used for the main 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