

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

Keywords: unemployment, job search, sanctions, monitoring

ELEVATOR PITCH

Unemployment benefits reduce incentives to search for a job. Policymakers have responded to this behavior 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. However, there is some evidence that longer-term effects of benefit sanctions may be negative.

KEY FINDINGS

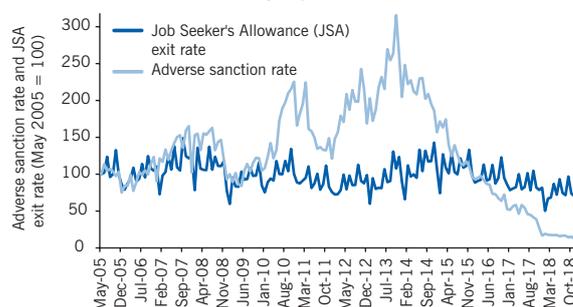
Pros

- + 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 increase 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.

Cons

- Job search monitoring imposes a cost on monitored individuals.
- Sanctions can further reduce income, at least in the short term, for those already on low incomes.
- 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.

Sanctions and unemployment benefit exits, UK



Source: Author's own calculations based on data from NOMIS: <https://www.nomisweb.co.uk/>; UK Department for Work and Pensions: <https://www.gov.uk/government/organisations/department-for-work-pensions>

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AUTHOR'S MAIN MESSAGE

Job search monitoring imposes a cost on monitored individuals and benefit sanctions impose a cost on sanctioned individuals. Yet evidence consistently shows that job search monitoring and benefit sanctions reduce the duration of unemployment and increase the rate of job entry, making them potentially attractive policy options. On the other hand, there is 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, particularly concerning the longer-term effects of monitoring and sanctions on job quality.