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The Effect of Sanctions on the Job Finding Rate: Evidence from Denmark

Abstract:

This paper investigates the effect of sanctions of unemployment insurance benefits on the exit rate from unemployment for a sample of Danish unemployed. The findings are that even moderate sanctions have rather large effects. For both males and females the exit rate increases with more than 50% following an imposition of a sanction. The paper exploits a rather large sample to elaborate on the basic findings. Moreover, I find that harder sanctions have a larger effect, that the effect of sanctions wear out after around 3 months and that particular groups of unemployed are more responsive to sanctions than others. Finally, the analysis suggest that males react ex ante to the risk of being sanctioned in the sense that males who face higher sanction risk leave unemployment faster.