

IAB-Colloquium

zur Arbeitsmarkt- und Berufsforschung

Estimating the latent effect of unemployment benefits on unemployment duration

Dr. Ralf A. Wilke

University of York, Department of Economics and Related Studies

We apply a new method to infer changes in latent distributions of competing risks based on observable changes in the cumulative incidences. Our analysis takes into account that the competing risks model is not identified and we derive bounds for treatment effects of the 2006 reduction in unemployment benefit entitlement lengths in Germany (Hartz reform). In many cases these bounds are tight enough to identify the direction and the timing of the effect. By having access to very large administrative individual data we are able to estimate heterogeneous treatment effects on a number of highly policy relevant risks. We find only little evidence for effects on unemployed with low pre-unemployment earnings, but an increase in the probability of entering full-time employment and in particular subsidized self-employment for unemployed with higher pre-unemployment earnings.

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