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Motivation Effect of Active Labor Market Policy on Wages

By Johannes K. Clausen, Lars Pico Geerdsen, Torben Tranaes

University Press of Southern Denmark. Paperback. Book Condition: new. BRAND NEW, Motivation Effect of Active Labor Market Policy on Wages, Johannes K. Clausen, Lars Pico Geerdsen, Torben Tranaes, This paper analyses the motivation effect of activation programs on wages and employment. We utilise a reform of the Danish UI system in 1998 that reduced the period of unconditional benefits and thereby created exogenous variation in the probability of people entering a mandatory activation program. Wages are measured by their position in the overall wage distribution, and we estimate how this position reacts to an increased probability of an individual being enrolled in activation. The wage effect is estimated using a competing risk duration model with exit states to employment at a higher wage or a lower wage. Overall, we find an increased hazard of exit to employment and of exit to higher-paying jobs as the probability of activation increases, and no change in the exit rate to lower-paying jobs. Thus, increases in the probability of activation counteract the wage decrease that is generally associated with a period of unemployment. These results do not hold for individuals with higher education, for whom we find no employment or wage effects of a...



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