

Work testing and sanctions

- Work testing and sanctions are used widely in many countries, including Australia, the United Kingdom and the United States.
- Work testing is used widely for sole parents: in Austria, France, Germany, Norway, and Switzerland work testing starts for sole parents when their youngest child turns three.
- Work testing increases employment and earnings as it prompts people to look for work.
- Sanctions and the threat of sanctions increases job search activity and makes people more likely to take available jobs.
- There are risks in sanctioning vulnerable people. However, the sanction regime is designed to limit adverse effects.

WORK TESTING AND SANCTIONS ARE USED WIDELY BY MANY COUNTRIES

- In Europe, job search requirements are most important in the UK (ten per month), then Switzerland (between four and ten) and in the Netherlands four a month.¹
- Thirteen OECD countries require job search actions reporting between every two to four weeks; some require proof of eight or more job search actions per month (in Australia and certain US states). In the UK, employment services require proof of three job search actions each fortnight. Australian employment services require proof of between eight and twenty job search actions per month.²
- Verification of employment status takes place every fortnight in the UK, Australia, Korea, Luxembourg, Portugal and the Slovak Republic (only Austria goes further by requiring actual attendance once a week).³
- Australia, Belgium, Czech Republic, France, Germany, Korea, Slovak Republic, Spain, Sweden and Switzerland undertake at least five intensive interview-equivalent contacts per unemployed client annually. Austria, Denmark, Hungary and Norway undertake an average of four intensive contacts annually.⁴
- Compulsory participation in active labour market programmes after a period of unsuccessful job searches is common practice in Australia, Denmark, Sweden and certain states in the US.⁵
- In Australia, participation in active labour market programmes is compulsory after six months of unsuccessful job seeking for those aged 18 to 49. In Denmark it is compulsory for people aged 30 to 60 after nine months of unsuccessful job search.⁶
- In Australia, Denmark and the UK, partners in coupled households who are claiming benefits are required to be available for work.⁷

WORK TESTING IS USED WIDELY FOR SOLE PARENTS

- In Belgium, Denmark, Finland, Japan and Sweden, all sole parents are subject to a work test, regardless of their child's age.⁸
- In Luxembourg and Canada, work testing on sole parents is carried out when the youngest child reaches six years; in the Netherlands, when the child is five years; and in the Czech Republic when the child is four years.
- In Austria, France, Germany, Norway, and Switzerland, work testing for sole parents is carried out when the child reaches three years.

WORK TESTING INCREASES EMPLOYMENT AND EARNINGS

- Work testing increases sole parents' employment and earnings and reduces benefit payments.^{9,10}
- Work testing increases employment for disadvantaged clients.^{11,12}
- Work testing for sole parent benefit recipients applied in New Zealand between 1997 and 2003 contributed to a growth in sole parents' employment.¹³
- With the aid of in-work financial assistance (eg the in-work tax credit in New Zealand) many sole parents who take up employment because of work testing increase their income.¹⁴
- Educational and behavioural outcomes for younger children were improved when work testing raised family incomes and increased the use of centre-based childcare.¹⁵

SANCTIONS AND THE THREAT OF SANCTIONS INCREASE EMPLOYMENT

- Sanctions and the threat of sanctions resulting from work testing:
 - increases job search activity¹⁶
 - make people more likely to take the jobs available
 - increases employment.^{17,18}
- In the Netherlands sanctions increased re-employment rates by 58 percent for men and 67 percent for women.¹⁹
- Denmark experienced a strong response to the imposition of sanctions even when they were relatively mild. The rate of people leaving unemployment benefit increased by 50 percent following the imposition of sanctions.²⁰
- In Germany sanctions in the form of benefit reductions increased employment, job search intensity and job uptake.²¹
- Sanctions are particularly effective when imposed at an early stage of being on a benefit. They are less effective when implemented at later stages of being on a benefit.²²
- In Switzerland, the rates of people leaving a benefit increased by 25 percent after a warning was issued and increased again by 19 percent after a sanction was imposed.²³
- In the Netherlands, job search behaviour increased when sanctions were imposed at a relatively early stage of a welfare spell and when additional threats of more severe sanctions were made.²⁴
- Extra counselling and monitoring of recipients' job search behaviour increased the likelihood of them finding work.²⁵
- Benefit recipients who receive more severe sanctions and of a longer duration are much less likely to leave benefit for work with higher earnings.²⁶

RISKS IN SANCTIONING VULNERABLE PEOPLE

- In general, sanctioned beneficiaries are more likely to come from a disadvantaged position within society than non-sanctioned beneficiaries.^{27,28,29}
- Deteriorating living standards for children can result when benefit reductions are wrongly applied.³⁰
- Applying sanctions to people who do not have the skills for employment and are unable to do training to improve these skills, can be problematic. They are more likely to have other issues, such as transport, and personal or family challenges.³¹
- As the sanctions regime has limits on how much families with children can be sanctioned, the potential adverse effects on disadvantaged clients are minimised.³²

ENDNOTES

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