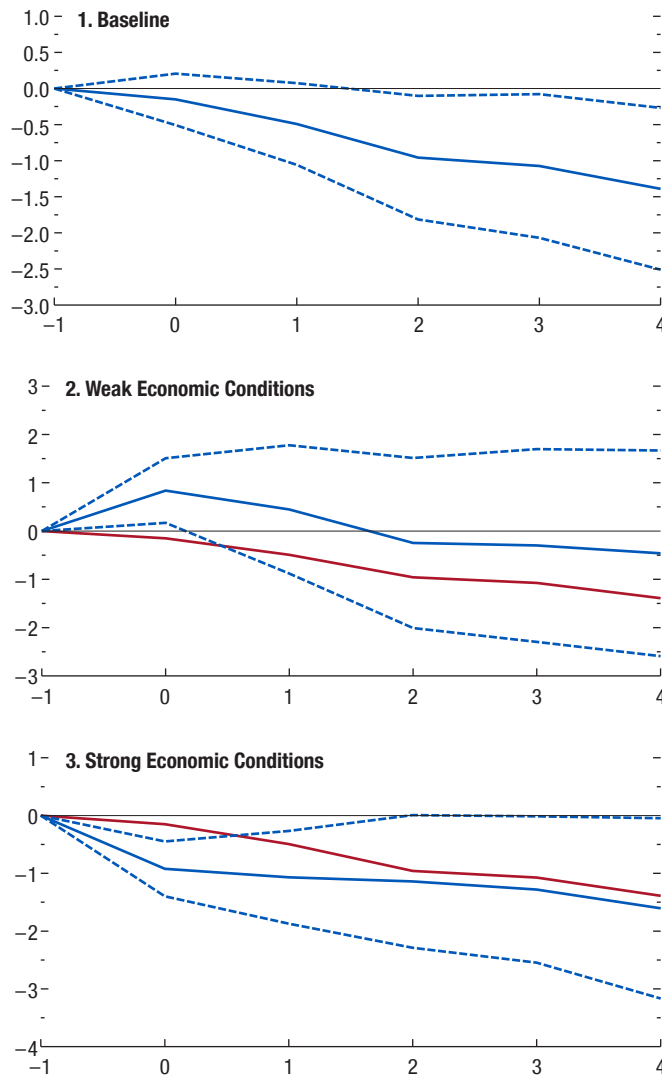


Figure 3.11. Unemployment Effects of Unemployment Benefit Reforms

(Percentage points; years on x-axis)

Reforms that reduce the income replacement rates of unemployment benefits are found to have statistically significant and long-lasting effects on the unemployment rate. However, such reforms have weaker, statistically nonsignificant effects during periods of slack.



Source: IMF staff estimates.

Note: $t = 0$ is the year of the shock. Solid blue lines denote the response to a major unemployment benefit reform; dashed lines denote 90 percent confidence bands; and solid red lines represent the unconditional result.