

ABSTRACT:

## **COMPLEXITY AND THE EFFECTIVENESS OF PUBLIC POLICY**

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This paper studies how job seekers' understanding of unemployment insurance (UI) system affects their job search behavior and subsequent employment outcomes. We conduct a large-scale field experiment in the Danish labor market, in which we exogenously vary individuals' understanding of the prevailing rules and incentives related to job search. Earlier evidence has shown that job seekers find these aspects of the UI system difficult to understand and that they exhibit limited knowledge of the underlying rules. The experiment exploits a newly developed web-based tool that reduces complexity for job seekers by providing them real-time personalized information about their current benefit situation as well as information about the most relevant rules regarding UI benefits, search requirements, and possible sanctions. The intervention successfully increases the job seeker's knowledge about the UI benefit rules, without improving their subsequent employment prospects. For long-term unemployed, the intervention encourages job seekers to utilize short-term work opportunities more often, which leads to lower earnings and fewer working hours within the first 12 months after the treatment.

(with Steffen Altmann, Sofie Cairo, Alexander Sebald)