

Losing entitlement to unemployment benefits for school leavers:

The impact on student dropout and graduation

Employment Opportunities

Muriel Dejemppe (UC Louvain) with Bart Cockx and Koen Declercq

19 February 2019

We investigate whether labor market policies affect degree completion and dropout in secondary and higher education. We evaluate a policy reform that conditioned access to unemployment benefits on age and educational attainment for young people without significant previous work experience. After this reform, many school-leavers were not eligible anymore for this unemployment benefit. If students are well-informed about the policy and anticipate the potential loss of future unemployment benefits, this could affect their schooling decisions. To establish our findings, we make use of a difference in differences approach. We find that degree completion in higher education increased after the policy reform, especially in master programs. Although the policy reform conditioned eligibility to unemployment benefits on educational attainment, our results show that degree completion did not increase in secondary education.